Brighton & Hove City Council

Statement of Accounts 2009/10

Contents

Certification by Chairman

I confirm that these accounts were approved by the Audit Committee at a meeting held on 29 June 2010.

Signed on behalf of Brighton & Hove City Council

Leslie Hamilton
Chairman
Audit Committee

Date 29 June 2010

Introduction and Explanatory Foreword to the Accounts

In accordance with the Accounts and Audit Regulations 2003, the Statement of Accounts includes an explanatory foreword, a statement of accounting policies adopted and a statement of responsibilities for the Statement of Accounts together with the core financial statements, notes to the financial statements, and supplementary financial statements.

Introduction

These annual accounts cover a period during which there has been a major focus on the level of public sector spending and overall government debt. This is likely to lead to a tightening of public sector finances over the coming years, with a renewed focus on finding efficiencies and a new wave of public service reforms. The council has a track record of spending within budget despite significant cost pressures in particular on its social care services, so has a strong base to be able to deal with the challenges that lie ahead.

The council's minority Conservative administration has set out its priorities in the Corporate Plan, which includes making "Better Use of Public Money" as a key priority. This includes aiming for lower Council Tax rises year-on-year, improving value for money across services, developing robust long-term financial plans and improving our use of resources and assets. In 2009/10 the Council Tax increase was 3.5%, the lowest percentage increase in the council's history and the council has recently set a lower increase for 2010/11 of 2.5%. The council continues to receive very low increases through the government's formula funding mechanism, known as "floor" level increases, and will continue to do so for the foreseeable future. The achievement of lower Council Tax increases is therefore only possible through the delivery of substantial efficiency and other savings. The council delivered in excess of £10m savings in 2009/10.

The achievement of these efficiencies is supported by the council's approach to value for money which has included the development of a high level business case to help the council identify areas with the greatest value for money impact. A list of priority areas has been identified and these will be subject to detailed examination over the next year. The Audit Commission has again rated the council at level 3 (out of 4) for its use of resources. More details can be found in the Audit Commission's Annual Audit and Inspection Letter on the council's web site.

The accounts show that the council has delivered services within budget and has maintained appropriate reserves and balances to manage financial and other risks both in-year and going forward. Good financial management has enabled the council to remain within budget, despite significant cost pressures, including increased number of clients accessing our children's social care services, and income losses due to the recession and the adverse period of winter weather. Significant financial challenges and pressures remain, including expected government constraints on public sector budgets, however the council's robust approach to financial control and value for money will ensure that the finances can properly support priority areas in the current economic climate.

Explanatory Foreword

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, a Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of the SORP. It is intended to give electors, members, employees and other interested parties clear information about the council's finances.

Significant Changes in Accounting Policies and Prior Period Adjustments

The council adopted the following changes to accounting policies for the 2009/10 accounting period as required by the SORP:

- The accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Financial Reporting Standards (IFRS). The requirements are based on IFRIC 12 Service Concession Arrangements and apply to PFI and similar contracts entered into from 1 April 2009 and contracts existing at 31 March 2009. PFI properties used to

deliver the PFI services which are currently 'off Balance Sheet' are required, in this council's case, to be recognised on the Balance Sheet along with a liability for the financing provided by the PFI operator. The council has three PFI arrangements, namely a contract with Brighton & Hove City Schools Services Limited for the expansion and refurbishment of three secondary schools, a joint agreement for the provision of an integrated waste management service with Southdown Waste Services Ltd and a contract with NU Library for Brighton Limited for the provision of a new library and library service.

- The accounting treatment for local taxes (i.e. National Non Domestic Rates and Council Tax) has changed. In relation to Council Tax, the treatment under the 2008 SORP required all Council Tax debtors to be included in the billing authority's Balance Sheet; however this treatment did not comply with UK Generally Accepted Accounting Practices (GAAP). The new requirements are that since the billing authority acts as an agent of the major preceptors only the billing authority's share of income and expenditure from the collection fund is to be accounted for in its Balance Sheet. In relation to National Non Domestic Rates (NNDR), the 2009 SORP confirms that the collection of NNDR is carried out by authorities as an agent activity on behalf of central government. NNDR taxpayers' debtor and creditor balances and impairment allowance for doubtful debts are not Balance Sheet items of the billing authority since it acts as an agent of the Government when collecting NNDR and therefore should not be recognised as such. Instead a creditor or debtor for cash collected from NNDR debtors, as an agent of the Government, but not paid to or overpaid to the Government should be recognised at the Balance Sheet date.
- A new legal requirement to increase transparency and accountability in local government for reporting the remuneration of senior employees.

Other changes made in 2009/10 include:

- The following disclosure notes have been removed as a requirement of the 2009 SORP (but can be voluntarily disclosed if considered to be appropriate to local circumstances) : –
  - Section 137 expenditure
  - Publicity Expenditure
  - Income under the Local Authorities (Goods and Services) Act
- Under the Accounts & Audit Regulations, 'present fairly' has been replaced by 'true and fair view'.
- Long term liabilities due to be settled within 12 months after the Balance Sheet date are now presented in current liabilities.

The 2009 SORP requires prior period adjustments when new or amended accounting policies are implemented. This would mean that previous year transactions (i.e. 2008/09 transactions) would have to be restated to bring them in line with the new accounting policies. Details of the prior period adjustments in relation to the above changes in accounting policy are detailed in note 2 to the core financial statements.

Financial Statements, their purpose and relationship between them

The financial performance for 2009/10 for the activities undertaken by the council is set out in the financial statements on pages 2 to 101 and consists of the following:

Statement of Responsibilities

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

Statement of Accounting Policies

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

Core Single Entity Financial Statements:

Income and Expenditure Account

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

Statement of Movement on the General Fund Balance

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

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

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

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

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

Statement of Total Recognised Gains and Losses

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

Balance Sheet

The Balance Sheet sets out the financial position of the council as at 31 March 2010. This statement is fundamental to the understanding of the council's financial position at the year end as it shows the council's balances and reserves, its long term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held. The statement shows the assets and liabilities of the council balanced by its net worth.

Cash Flow Statement

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

Notes to the Core Financial Statements

The disclosed notes are in accordance with the disclosure requirements of the 2009 SORP. In addition, some voluntary notes are disclosed to aid the understanding of the accounts.

Supplementary Single Entity Financial Statements:

Housing Revenue Account (HRA)

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

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

Information is also disclosed in the form of notes to the HRA.

Collection Fund Account

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

Memorandum Accounts

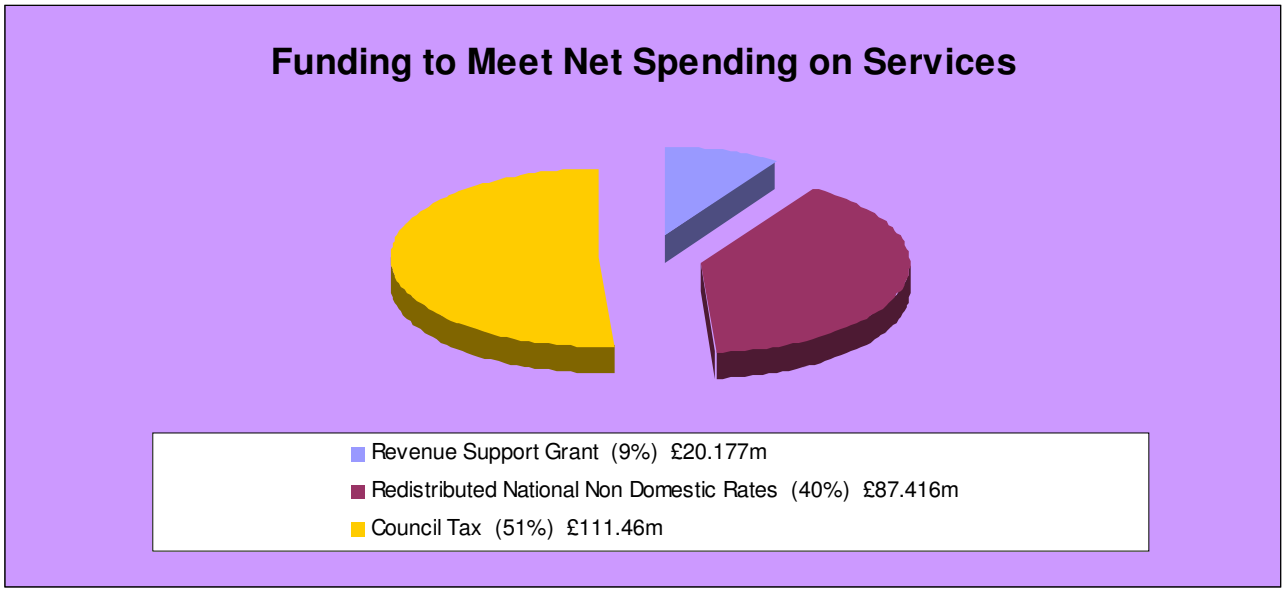
The council, as lead commissioner, has entered into pooled budget arrangements with NHS partners for both learning disability services and children and young people services; funds are pooled under section 75 of the National Health Service Act 2006 and memorandum accounts are required for each service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

Trust Fund Accounts

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

Revenue Summary 2009/10

The council's net revenue budget after income, for 2009/10 was set at £219.053m (including £0.027m Rottingdean Parish Council precept). The following chart shows the sources of this funding which is used to meet the net spending on council services.



The council received formula grant of £107.593m in 2009/10, made up of Revenue Support Grant of £20.177m and redistributed National Non Domestic Rates of £87.416m. Please refer to note 8 for details of the Revenue Support Grant.

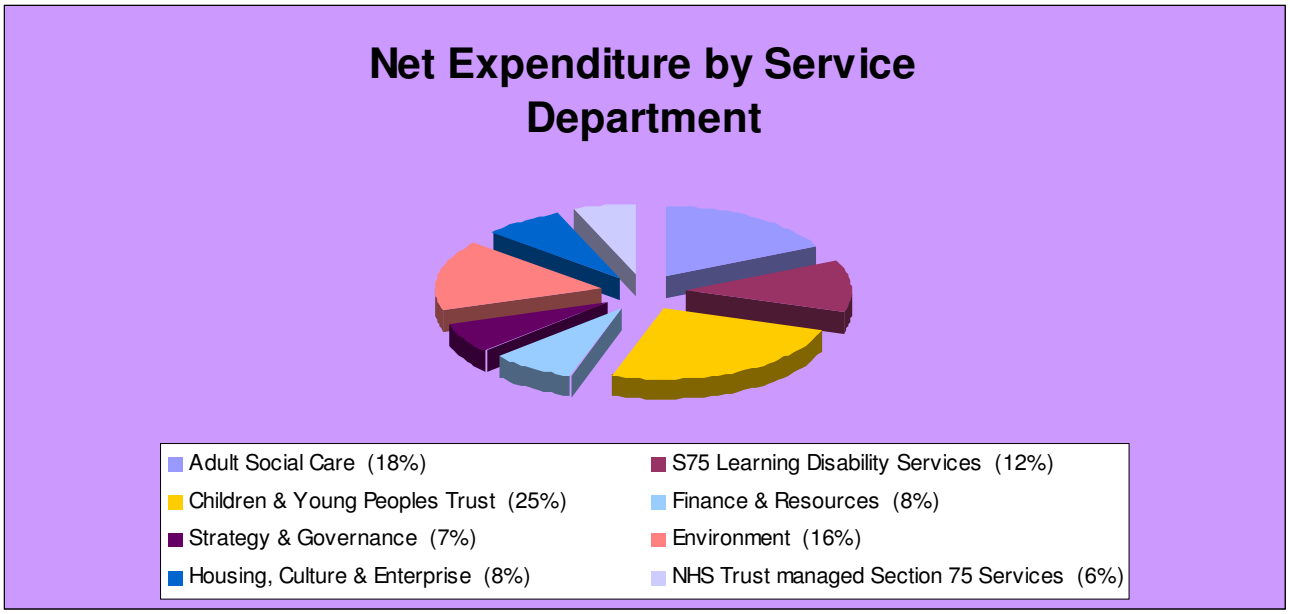
The Council Tax amount of £111.460m (including £0.027m re Rottingdean Parish precept) represents the expected income from Council Tax to be received; the council actually received £113.211m in Council Tax income in 2009/10. This higher level of Council Tax received compared to that budgeted for was mainly attributable to higher than anticipated new properties being completed in 2009/10.

The following table summarises the spending on council services by service department, including variations compared with the revised budget; the amounts exclude support services and capital financing costs. (Figures in brackets denote underspendings or income received in excess of that budgeted):

Departmental Variations	Revised Budget £'000	Actual £'000	Variance £'000
Adult Social Care	36,142	36,962	820
S75 Learning Disability Services	23,710	23,754	44
Children & Young People's Trust	47,818	49,776	1,958
Finance & Resources	16,582	16,301	(281)
Strategy & Governance	14,503	14,637	134
Environment	30,620	31,829	1,209
Housing, Culture & Enterprise	16,413	16,777	364
Centrally Managed Budgets	1,513	(2,970)	(4,483)
NHS Trust managed Section 75 Services	12,479	12,479	0
General Fund Surplus	**199,779**	**199,544**	**(235)**

The financial performance in 2009/10 indicates that financial management and controls have been effective with the council achieving an underspend of £0.235m (or 0.1%). The council has delivered services within its overall budget by taking appropriate measures to manage in-year risks and pressures, including significant unavoidable pressures relating to looked after children, adult social care placements, the economic downturn and the adverse winter weather.

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



Significant variations within the overall variance of £0.235m are as follows:

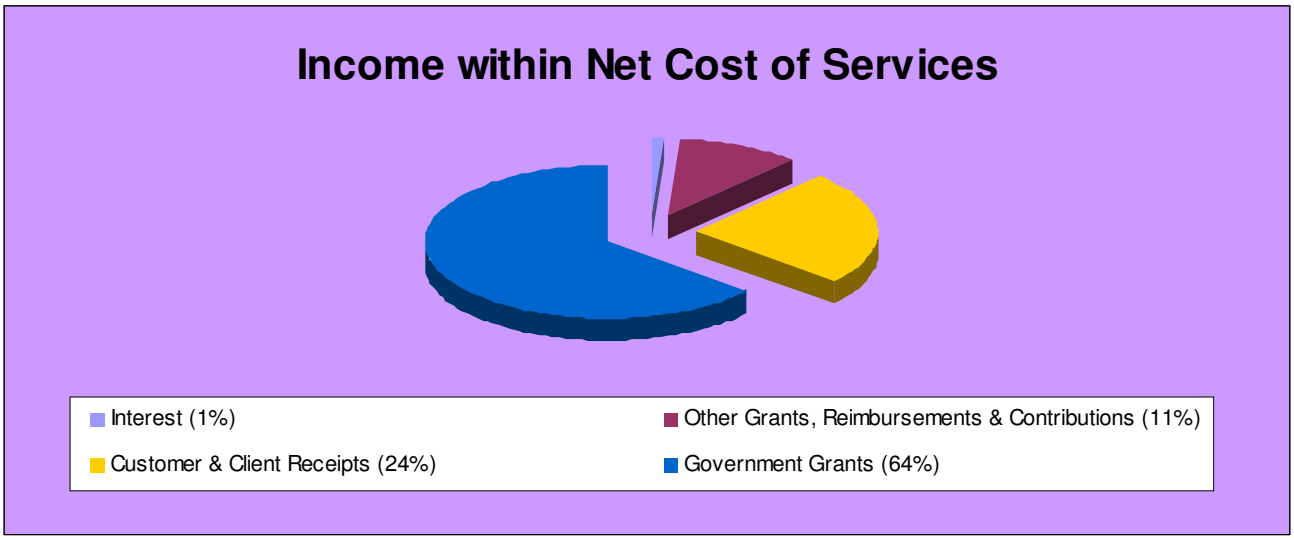
- Adult Social Care - the main pressure has been on the demand-led community care budget, in particular growth in homecare and residential care for people with physical disabilities. Estimating demand for community care services is difficult as there are often peaks and troughs in demand. For this reason, the council's budget includes contingency provision and an assessment of reserves to ensure that variations in demand can be managed within the council's overall finances;
- Children & Young People's Trust – the Area Integrated Working branch of the CYPT service leads on the development of integrated area working, including early intervention and prevention. This branch overspent by £1.652m of which £0.446m was due to ongoing costs in relation to homeless families, payments to "friends and relatives" carers and provisions and £0.912m due to additional legal fees incurred due to changes in the law by the Public Law Outline (PLO) and a significant increase in the number of children being referred for care proceedings in line with the national trend. The Commissioning and Governance branch is involved in taking the lead on ensuring best outcomes for Children in Care and also leads on behalf of the Children & Young People's Trust and Brighton & Hove PCT on the commissioning of services for children, young people and their families. This branch overspent by £1.177m mainly due to a significant and sustained increase in activity in terms of referrals to social care following Baby P and the Laming recommendations.
- Finance & Resources – the service achieved an underspend of £0.281m mainly due to vacancy management savings across ICT and finance areas and a substantial increase in housing benefit subsidy awarded by the government for maintaining benefit claim errors below government thresholds. This offsets a shortfall in commercial rent income due to rent/lease renewals being on lower terms than expected due to the economic downturn.
- Environment – Sustainable Transport overspent by £0.791m due primarily to lower than expected use of on-street and off-street parking and income from parking permits being lower than expected resulting from economic conditions and the adverse winter weather during the year. City Planning also overspent primarily due to the loss of Housing and Planning Delivery grant.
- Housing, Culture & Enterprise – the number of visitors to the Royal Pavilion and museums was lower than expected resulting in loss of income of £0.386m due to the adverse winter weather conditions, unexpected periods of closure and economic downturn. The adverse weather and economic downturn also led to shortfalls in entertainment receipts of £0.189m at major venues within the city. These income shortfalls were partly offset by vacancy management savings and increased income within supported employment.
- Centrally Managed Budgets – there was an underspend of £0.598m on capital financing costs due to the council repaying debt primarily to reduce its exposure to investment risk. The number and size of insurance claims received by the council during the year was lower than expected resulting in an underspend of £0.497m. The confirmation of the pay award was lower than that budgeted for resulting in

a saving of £1.275m. The remaining underspend related to concessionary fares which was due primarily to a sustained reduction in journey numbers.

The council's financial standing also remains healthy and, in particular, the council's General Fund Balance will be maintained at £9 million which is deemed appropriate by the council's Chief Finance Officer for an authority of this size.

Analysis of Expenditure and Income

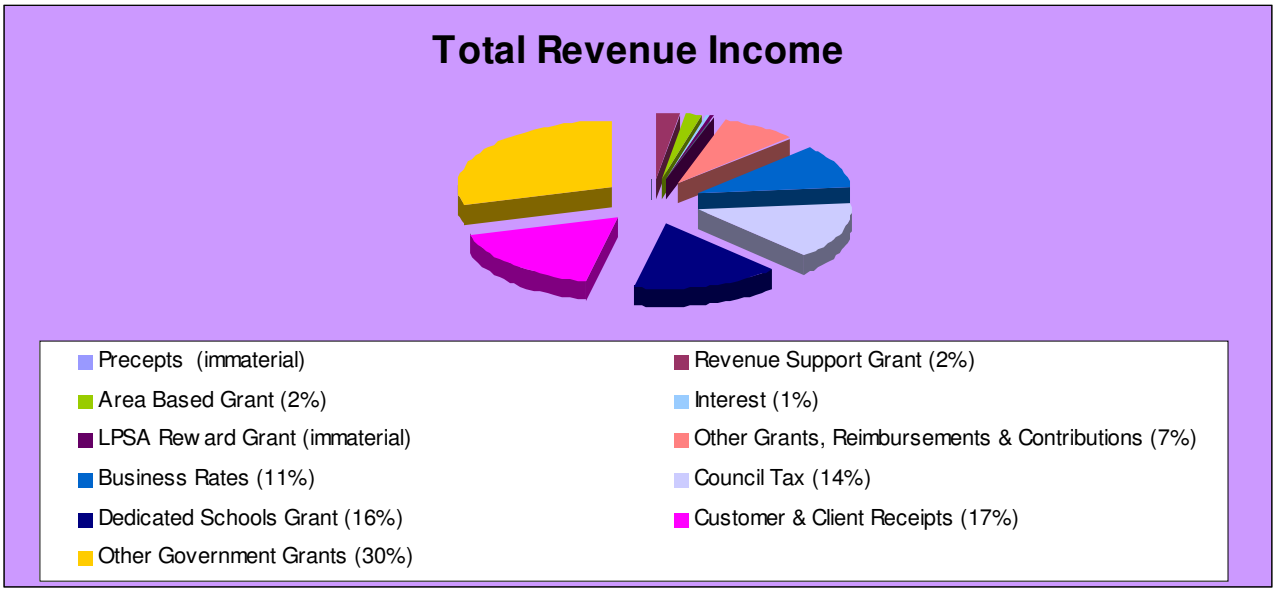
The gross income for 2009/10 for services was £573.216m, as included within the Net Cost of Service line of the Income and Expenditure Account. This income came from the following sources:



The figure for government grants includes £127.734m Dedicated Schools Grant. Customer and Client Receipts include rental income (e.g. housing and other property rents) and income from fees and charges.

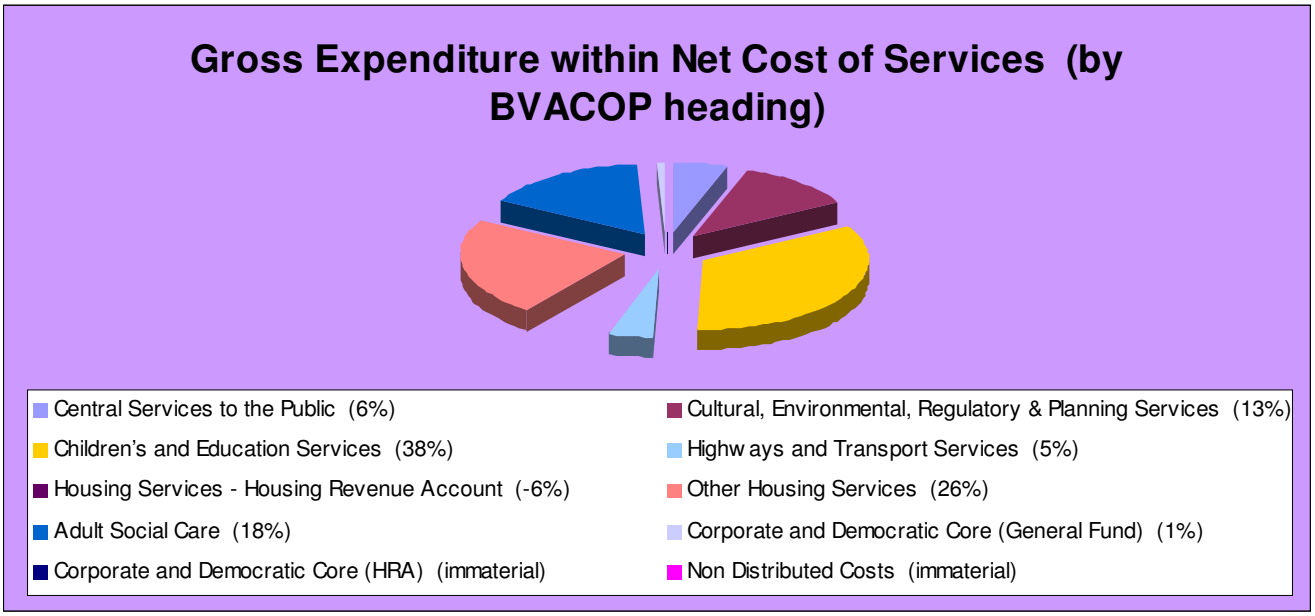
In addition to the income generated by services and service specific grants, the council received £20.177m Revenue Support Grant, £13.954m Area Based Grant, £87.416m in re-distributed National Non Domestic Rates and £113.211m in Council Tax income. These figures represent the actual income received by the council.

The following chart shows the total revenue income received by the council in 2009/10 in percentage terms:



The level of revenue income received in year has increased by £32m from 2008/09; this increase being mainly due to an increase in government grants received by the council. The Dedicated Schools Grant increased by £5.153m, the Revenue Support Grant by £7.249m and other government grants by £23.026m, largely in respect of Department for Work & Pensions Grants for Benefits.

The gross expenditure for 2009/10 for services was £732.343m as included within the Net Cost of Service line of the Income and Expenditure Account and was spent on the following services (analysed by Best Value Accounting Code of Practice (BVACOP) heading):



The gross expenditure for 2009/10 has decreased by £185m compared to 2008/09; this decrease is mainly due to the partial reversal of the 2008/09 impairment of HRA fixed assets. The 2008/09 asset valuation report reflected a substantial reduction of £112.096m in the value of council dwellings calculated at 20% of the total value, the corresponding report for 2009/10 indicates a partial recovery of values with an upward valuation of £90.359 million which is an increase of around 13%.

Capital Summary

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

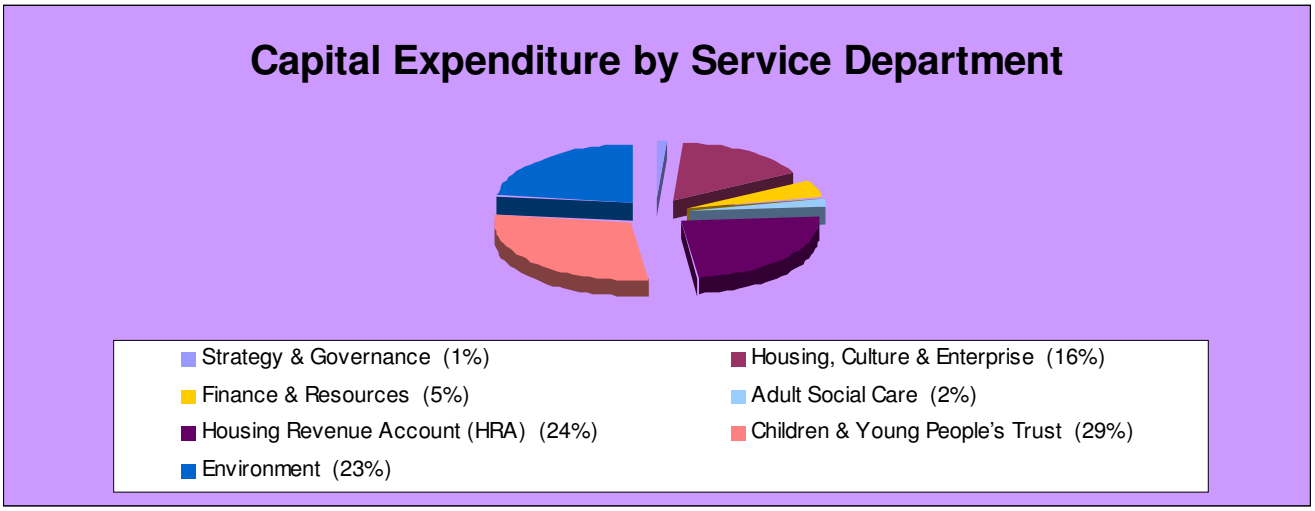
Capital expenditure totalled £75.595m in 2009/10. During 2009/10 £6.6m was spent on waste management facilities at Maresfield and Whitesmith, these facilities are part of the Waste PFI and did not form part of the Council's programmed capital expenditure for the period.

Programmed capital expenditure totalled £68.993m in 2009/10 compared with the final approved budget of £72.128m. The variance includes slippage (delays) of £3.355m which will be carried forward into 2010/11 to meet the council's ongoing capital commitments. No current or future resources will be lost as a result of capital investment programme slippage. The variance also includes a small overspend of £0.220m which is mainly due to major works at one of the council's schools progressing at a faster rate than originally planned and an overspend on the cycling demonstration city scheme due to a number of innovative design changes being required. Both these overspends are being funded from the 2010/11 capital budget for the respective schemes. These overspends were partly offset by savings on other capital schemes.

Many large and smaller capital projects were undertaken in 2009/10 and included expenditure on council dwellings (£16.820m), education (£19.588m), sustainable transport and planning (£12.697m), private sector renewal grants (£6.570m), and ICT & e-Government (£0.970m).

The level of capital expenditure in 2009/10 has increased by £16m when compared to 2008/09; this increase related mainly to grant related costs on capital schemes within schools and has been funded largely by an increase in capital grant funding.

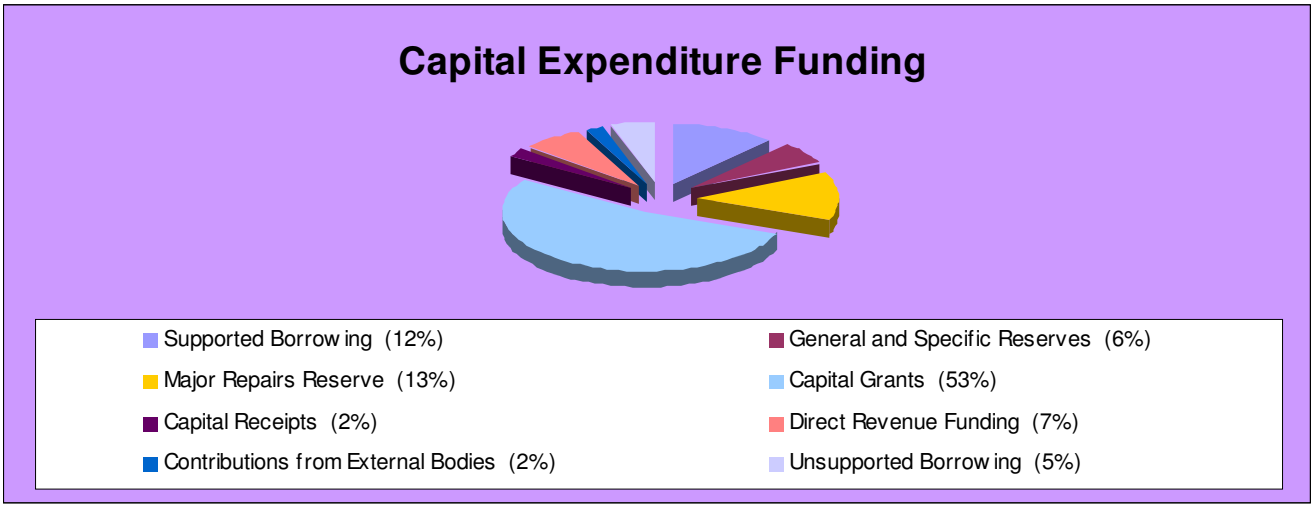
The following chart shows the total programmed capital expenditure of £68.993m split by service department in percentage terms:



The council's 2009/10 capital programme was funded from various internal and external sources. The following table details that funding:

	£'000
Capital Outturn	68,993
Total Funding Requirement	**68,993**
Funding:	
Supported Borrowing	(8,107)
General and Specific Reserves	(4,262)
Capital expenditure financed by the Major Repairs Reserve (MRR)	(9,352)
Capital Grants	(36,394)
Capital Receipts	(1,330)
Direct Revenue Funding	(4,590)
Contributions from External Bodies	(1,156)
Unsupported Borrowing	(3,802)
Total	**(68,993)**

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



Further details of significant commitments for capital investments that existed as at the Balance Sheet date can be found in note 18.

Fixed Assets

The value of the council's fixed assets has increased in year by £150.347m. The council has purchased £57.811m of fixed assets in year. Assets have been revalued in year to the value of £61.410m. The impairment in relation to council dwellings in 2008/09 has been reversed in 2009/10 with a partial recovery in values of £90.359m; there have also been in year impairments of £22.982m in relation to other assets. Assets have been depreciated in year by £41.741m. Please see note 15 to the core financial statements for more details. The council has also brought £6.825m of PFI assets onto its Balance Sheet during 2009/10. See note 20 to the core financial statements for more details.

Private Finance Initiative (PFI) schemes

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

In 2009/10 the council adopted International Financial Reporting Standards (IFRS) for the PFI contracts. The council was required to assess each PFI contract against two key tests:

- does the council control or regulate the services the PFI contractor provides, to whom it provides them, the price payable and the location
- does the council control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the assets at the end of the PFI contract

The outcome of the assessment confirmed that for each PFI contract the council should recognise both the asset (i.e. buildings, furniture & equipment) and the liability (i.e. the amount due to the PFI contractor for the provision of new assets) on its Balance Sheet. The changes required include:

(a) the recognition of assets transferred to the PFI contractor under the PFI contract at the time the contract was entered into;
(b) the recognition at cost of any new assets acquired or constructed by the PFI contractor under the PFI contracts;
(c) the liability created by the PFI contract being the amounts due from the council to the PFI contractor for new assets;
(d) the de-recognition of certain assets (such as the deferred consideration account) that are no longer appropriate under IFRS.

The adoption of IFRS in relation to PFIs has lead to the inclusion of fixed assets in the council's Balance Sheet to the value of £97.607m in 2009/10. See note 20 to the core financial statements for more details.

Pensions Liability

The council's Balance Sheet recognises a reserve for the estimated net pensions' liability. As at 31 March 2010 the pensions' liability under FRS 17 (Retirement Benefits) stood at £341.334m, an increase of £202.465m. The significant factors which have contributed to this increase are:

- the actuarial loss on the scheme in 2009/10 is £201.098m;
- the current service costs have fallen by £1.652m.

The overall deficit on the fund represents the difference between the value of the council's pension fund assets as at 31 March 2010 and the estimated present value of the future pension payments to which it was committed at that date.

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

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

Statutory arrangements for funding the pension deficit mean that the current financial position is robust although future funding of pension liabilities is expected to add to the financial pressures facing local

authorities. The deficit on the Pension scheme will need to be made good by increased contributions over the working life of employees, as assessed by the pension actuary.

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

Further information on pension costs is available in note 38 to the core financial statements.

Acquisitions and Liabilities

The council did not acquire any material assets or incur any material liabilities during 2009/10.

Exceptional or Extraordinary Items

There are no exceptional or extraordinary items to disclose.

Changes in Statutory Functions

There were no material changes in statutory functions during 2009/10.

Section 75 of the National Health Service Act 2006

The council has entered into various pooled budget arrangements in relation to personal social care, community health and educational services for children and young people, and personal social services and community health care for adults. Further details on these pooled budgets can be found in note 7 to the core financial statements and the Memorandum Accounts on pages 96 and 97.

Borrowing

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

The level of borrowing has increased in year by £8.601m, as follows:

	31 March 2009 £'000	31 March 2010 £'000
Short term borrowing	(4,115)	(46,452)
Long term borrowing	(195,379)	(161,643)
Total borrowing	**(199,494)**	**(208,095)**
(Increase)/Decrease year on year	**42,282**	**(8,601)**

Gross long-term borrowing within the year totalled £15.000m and has been applied to part fund capital payments and to fund short-term borrowing requirements. The continuation of the debt repayment programme from 2008/09 resulted in a repayment of long term borrowing totalling £30.150m funded from a reduction in external investments.

Net short-term borrowing raised in the year totalled £24.700m and has been applied to fund short-term cash requirements.

The level of debt attributable to council services totals £208.095m as at 31 March 2010 (£199.494m 31 March 2009).

Collection Fund

In 2009/10 there was an in year £4.822m surplus on the Collection Fund, a movement of £4.984m from 2008/09 which had an in year deficit of £0.162m. The in year surplus of £4.822m relates to a £2.950m contribution towards the previous year's forecast collection fund deficit and an improved position during 2009/10 of £1.872m which mainly related to a higher than anticipated number of new properties being completed in 2009/10. The Collection Fund accounts and notes can be found on pages 93 to 95.

The change in the accounting treatment of Council Tax and NNDR has had no presentational impact on the Collection Fund accounts. However, this change in accounting treatment has led to a number of presentational changes in the council's core financial statements. See note 2 to the core financial statements for more details.

Further Information

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

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

Annual Governance Statement for the year ended 31 March 2010

1 Standards of Governance

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

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

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

2 Scope of Responsibility

The council is responsible for ensuring that its business is conducted in accordance with the law and proper practice standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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

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

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

3 The Purpose of the Governance Framework

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

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

4 The Council's Governance Framework

The governance framework has been in place at the council for the year ended 31st March 2010, up to the date of approval of the Statement of Accounts and accords with proper practice.

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

Identifying and communicating the council's vision

The council played a leading role in the creation and development of the 2020 Community Partnership, and has developed, together with our partners, an important part of its governance arrangements, Sustainable Community Strategy for the City, "Creating the City of Opportunities". This has recently been refreshed to ensure it reflects changes and maintain effectiveness.

The vision is for Brighton & Hove to be the City of Opportunity. It is a city where opportunities are provided for our residents to improve their lives. It is a place that provides these opportunities in a sustainable and inclusive way that reduces inequality and protects the environment.

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

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

Reviewing the council's vision and its governance implications

Since the publication of the Sustainable Community Strategy in 2006, the council's governance arrangements have been subject to ongoing review to meet the changing needs of the council. During 2009/10 a 12 month review was carried out on the council's constitution and made a number of proposals for amendment.

The council's Code of Corporate Governance is considered still to be current and complies with the principles and requirements of good governance.

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

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

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

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

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

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

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

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

There is also an Overview and Scrutiny Commission and five scrutiny committees that support the work of the Executive, through scrutinising decisions made by the Executive and through examining services provided by the council. During 2009/10 an enhanced role for Scrutiny was introduced in the Budget Management process.

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

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

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

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

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

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

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

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

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

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

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

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

Ensuring compliance with established policies, procedures, laws and regulations

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

The Director of Strategy & Governance (the Monitoring Officer) has overall responsibility for ensuring the council acts lawfully and without maladministration.

The Director of Finance & Resources (as Section 151 Officer) has overall statutory responsibility for the proper administration of the council's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control.

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

The council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010).

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

Whistleblowing and receiving complaints from the public

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

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

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

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

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

During the year the Audit Commission reported on their Good Governance Review. The majority of recommendations made have been implemented and the remaining ones are in progress.

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

Establishing clear channels of communication with the community and other stakeholders

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

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

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

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

During 2009/10 to strengthen local democracy, the Get Involved local democracy and citizens campaign was launched. This was driven by a new legislative requirement to involve the public and promote local democracy.

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

The governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report Governing Partnerships: Bridging the Accountability Gap (2005), are defined in the council's Financial Regulations. The council is currently working with significant partnerships for example the Children and Young People's Trust, in terms of helping to achieve its objectives through ensuring appropriate agreements and robust governance arrangement are in place. Regular audit reviews are carried out on the overall governance arrangement within the council's key partnerships.

The City's Local Strategic Partnership (LSP) is managed by a board and the council is the lead agency for the LSP. The council has distributed, a "2020 Community Member Pack" to LSP board members which includes governance responsibilities.

5 Review of Effectiveness

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

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

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

6 Governance Issues

The annual effectiveness review of governance arrangements referred to in Section 5 identifies a number of issues that require actions for improvement.

In considering the governance issues contained in the Annual Governance Statement for 2008/09, the following enhancements have been achieved during 2009/10:

- Review and update of the Medium Term Financial Strategy
- Developed a programme to ensure the council meets the deadline for producing accounts that are compliant with the International Financial Reporting Standards (IFRS)
- Updated and enhanced the council's Whistleblowing Policy and Process
- Introduced an Annual Report process from the Audit Committee
- Reviewed and updated of Section 75 Agreements in relation to Children's Services
- Improved access to tools and training for financial management
- High level business plan and programme in place for the council's Value of Money Programme Phase 2 and transformation

- Improvements to the scrutiny process including developing required skills of officers and Members and the role of scrutiny in providing proactive review and challenge

In addition to the above, a number of actions referred to in the Annual Governance Statement for 2008/09 for the year 2009/10, remain in progress and are subject to detailed plans. The first two actions have also been raised again in the effectiveness review for 2009/10 and are now considered to be significant

- Improved system processes and controls for HR/Payroll including those associated with the implementation of a new HR/Payroll Computer System, for the effective management of the council's workforce
- Implement a formal Section 75 partnership agreement with the Sussex Partnership Trust (adults) for 2010/11 to mitigate risk to the council and to seek a longer term strategic solution
- Full fraud risk analysis and measurement review
- Review of the role and effectiveness of the Audit Committee in the governance of the council

New actions have been identified to improve the governance arrangements, from the effectiveness review and detailed action plans developed.

In addition there are fundamental changes required to the council's governance framework as a result of expected significant national legislative changes, national and local financial budget constraints and a move to a new operating model for the council. Certain actions have been recognised and included at this stage.

- Refresh of the council's performance management framework
- Review and update the council's constitution and all related documents to reflect planned organisational changes
- Review and implement specific training and learning objectives for officers and Members
- Improvement to procurement and contract management arrangements

All new and actions in progress will be monitored by the Officers' Governance Board and Audit Committee during 2010/11.

We are satisfied that the actions required, when fully completed will address the need for improvements that were identified in the review of effectiveness. We will monitor their implementation and operation as part of the next annual review

Signed

John Barradell
Chief Executive

Dated: 29 June 2010

Signed

Councillor Mary Mears
Leader of the COUNCIL

Dated: 29 June 2010

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 this council that officer is the Director of Finance and Resources.

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

(iii) to approve the Statement of Accounts.

The Director of Finance and Resources' Responsibilities

The Director of Finance and Resources is responsible for the preparation of the council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA[1] Code of Practice on Local Authority Accounting in the United Kingdom ("the SORP[2]"). The Director of Finance and Resources is required to sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2010.

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

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

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

(iii) complied with the local authority SORP.

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

(i) kept proper up to date accounting records

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

I certify that the accounts present a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Catherine Vaughan CPFA
Director of Finance & Resources (Section 151 Officer)
29 June 2010

[1] Chartered Institute of Public Finance and Accountancy
[2] Statement of Recommended Practice

Statement of Accounting Policies

1 General

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year end of 31 March 2010. The statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, A Statement of Recommended Practice (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and with practitioner's guidance notes on the application of the SORP also issued by CIPFA. The SORP is based on issued UK accounting standards except where these are superseded by specific statutory accounting requirements so as to present a true and fair view of the financial position and transactions of the council.

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

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

Significant Estimations

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

Details of any significant estimates are included in the notes to the financial statements.

Accounting Concepts

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

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

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

The council regularly reviews its accounting policies to ensure that they remain the most appropriate, giving due weight to the impact that a change in accounting policy would have on comparability between periods. In accordance with the SORP, accounting policies that have not been applied to material transactions or balances have not been disclosed. The council adopted some changes in accounting policies in 2009/10 and details of these can be found in the Explanatory Foreword.

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

2 Accruals of Income and Expenditure

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

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

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

3 Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits but where the monetary amount or the timing of the transfer is uncertain. Provisions are charged to the appropriate service revenue account in the Income and Expenditure Account in the year that the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments relating to the provision are eventually made, they are charged directly to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely that a transfer of economic benefits will not be required or a higher or lower settlement will be made, the provision is reversed or adjusted respectively in the revenue service account in the Income and Expenditure Account.

4 Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring budget from the relevant service area to the Statement of Movement on the General Fund Balance (SMGFB). This is matched with a charge to the SMGFB offset by a credit to the Balance Sheet. When expenditure to be financed from a reserve is incurred, it is charged in that year to the appropriate service revenue account in the Income and Expenditure Account. This charge is then appropriated to the Reserve through the SMGFB so that there is no net charge against Council Tax for the expenditure.

Capital reserves are not available for revenue purposes. Certain capital reserves are used for specific statutory purposes to manage the accounting processes for fixed assets and are matched by fixed assets within the Balance Sheet; therefore they do not represent usable resources for the council. Such reserves include the Revaluation Reserve and the Capital Adjustment Account.

Certain reserves are also maintained to:

- manage the accounting processes for retirement benefits, namely the Pension Reserve;
- manage the accounting processes for financial instruments, namely the Available-for-Sale Financial Instruments Reserve and the Financial Instruments Adjustment Account;
- manage the accounting process for the council's Waste PFI arrangement, namely the Waste PFI Prepayment Reserve

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

The council also holds a Collection Fund Adjustment Account which is used specifically to manage the accounting processes for Council Tax and is therefore an unusable resource for the council.

A number of earmarked reserves are held by the council. Details of these can be found in note 30 to the core financial statements.

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

5 Contingent Assets and Liabilities

A contingent liability is either:

(i) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more certain future events not wholly within the council's control; or
(ii) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required to settle the obligation or the amount cannot be measured with sufficient certainty.

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

Contingent assets or liabilities are not recognised in the financial statements but instead are disclosed by way of a note. For each class of contingent liability and contingent asset, the council will disclose the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement. Details of contingent assets and liabilities can be found in note 31 to the core financial statements.

6 Government Grants and other Contributions

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

Grants can be received for revenue or capital purposes. Where specific revenue grants are received to finance the activities of the council or to offset a loss of income, they are credited to the Balance Sheet in the form of personal accounts and are then credited to the relevant service revenue account in the Income and Expenditure Account thereby matching the revenue grants with the service expenditure to which they relate. Capital grants are credited to the Government Grants Deferred Account and are written down to the Income and Expenditure Account over the useful life of the asset to which they relate.

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

Further details of general grants and specific grants are included in notes 8 and 41 respectively to the core financial statements.

7 Retirement Benefits

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

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

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

The Local Government Pension Scheme

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

- the liabilities of the East Sussex pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees);
- liabilities are discounted to their value at current prices using a discount rate of 5.5% based on the indicative rate of return on high quality corporate bond of equivalent term and currency to the liability. The actuaries recommended discount rate is equal to the gross redemption yield on the iBoxx Sterling Corporates AA over 15 years index, at the FRS17 valuation date but removing the recently re-rated bonds from the index Given the continued instability in the economic environment that we are currently enduring, the outlook for the majority of companies is still subject to a great amount of uncertainty. This means that company credit ratings are subject to change (mainly downgrading). It is possible that bonds that were previously rated AA may be re-rated and no longer make up part of the iBoxx AA Index. Due to the way the index is calculated, any re-rated bonds drop out of the index at the beginning of the month following their re-rating therefore not affecting the end of month yields that we use for most accounting figures. Since re-rating during the previous month may have had a significant effect on the index, we have allowed for this by adjusting the previous end of month figure.
- the assets of East Sussex pension fund attributable to the council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - utilised securities – current bid price
    - property – market value.

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

- current service cost – the increase in liabilities as a result of years of service earned this year is allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid is charged to Net Operating Expenditure in the Income and Expenditure Account;
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return, is credited to Net Operating Expenditure in the Income and Expenditure Account;

- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees is charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, are charged to the Statement of Total Recognised Gains and Losses;
- contributions paid to the East Sussex pension fund – cash paid as employer's contributions to the pension fund is charged to the relevant revenue service account in the Income and Expenditure Account.

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

Discretionary Benefits

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

8 Value Added Tax (VAT)

The amounts included within the Income and Expenditure Account exclude amounts relating to VAT. The council is able to recover VAT from HM Revenue and Customs, providing the partial exemption de-minimis is not breached.

The council monitors the VAT partial exemption calculation on a regular basis, a financial model is retained and updated with key proposals of expenditure or increases in exempt income to assess potential partial exemption impact. If necessary appropriate measures are then taken to ensure the council remains below the de-minimis level.

9 Overheads and Support Services

The costs of both centrally and departmentally provided overheads (i.e. management and administration costs) and support services are fully recharged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009 (BVACOP) including an amount charged to Corporate and Democratic Core. These costs are shared to users of the service in proportion to the benefits received using the most appropriate base; for example, employee numbers, accommodation areas and gross or net service expenditure, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation
- Non Distributed Costs – costs where no individual user benefits.

Corporate and Democratic Core and Non Distributed Costs are defined in the BVACOP and are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

10 Fixed Assets

The council distinguishes between intangible and tangible fixed assets.

Recognition

Intangible Fixed Assets

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

in the Income and Expenditure Account over the economic life of the investment to reflect the pattern of consumption of benefits.

Tangible Fixed Assets

Tangible fixed assets are assets that have a physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. They are categorised as either "operational" or "non operational" fixed assets; this categorisation determines the method of valuation.

Operational assets are held and used by the council in the direct delivery of services or used for functions which are directly related to the support of such services.

Non operational assets include commercial or investment property that have no direct link with the performance of the council's statutory services and functions. Non operational assets also include those assets in the course of construction.

The council has a de-minimis level of £20,000 for land and buildings. Items of expenditure on land and buildings below this de-minimis level are charged to the relevant service revenue account in the Income and Expenditure Account in the year it is incurred. There is no de-minimis level applied for vehicles, plant, furniture and equipment and therefore all capital expenditure in relation to this is capitalised. There is also no de-minimis level for asset enhancements.

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

Measurement and Valuation

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

Tangible operational fixed assets are included in the Balance Sheet at the lower of net current replacement cost and the net realisable value in existing use, except where the SORP allows assets to be held at historic cost. Infrastructure assets and community assets are both held at historic cost. Tangible non operational fixed assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value (represented by open market value).

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

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

Freehold and leasehold properties, which comprise the council's property portfolio, are valued as at 1 April 1996 by the council's estates manager and external valuers and amended by subsequent revaluations. The values have been determined in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation manual except that:

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

Valuations for the Housing Revenue Account (HRA) dwellings and garages and car park assets are undertaken by valuers Wilks, Head & Eve. The council's housing stock and garages and car parking spaces were revalued as at 1 April 2009. Methods of valuation for dwellings, garages and car parking spaces have been conducted following government guidance on stock valuation for resource accounting. The approach by Wilks, Head & Eve is based on the capitalising of the rental income flow allowing for voids and an adjustment yield to reflect management costs. This is the preferred method of the valuer, which is consistent with other authorities for which they act.

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

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

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

Revaluation

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

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

Impairment

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

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

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

Disposal of Fixed Assets

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

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

Depreciation

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

Depreciation on assets including infrastructure, vehicles, plant, furniture and equipment, buildings (including council dwellings) and intangible assets is calculated on a straight line allocation over the expected life of the asset, on the difference between the book value and any estimated residual value.

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

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

11 Charges to Revenue for the use of Fixed Assets

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

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

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

12 Revenue Expenditure Funded from Capital under Statute

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

13 Capital Receipts

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

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

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

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

14 Leases

Finance Leases

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

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

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

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

Operating Leases

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

Any finance leases that are in the secondary rental period are treated as operating leases.

15 Financial Instruments

Interest Accruals

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

Financial Liabilities

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

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

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

Long term liabilities due to be settled within 12 months of the Balance Sheet date are presented in current liabilities.

Debt Redemption

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

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

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

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

Financial Assets

Financial assets are classified as two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the financial instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

Impairment of Financial Assets

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

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

Available-for-sale Financial Assets

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

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

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

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

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

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

16 Stocks and Work in Progress

Stocks are valued at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year end and is recorded in the Balance Sheet at cost including an allocation of overheads.

17 Long Term Contracts – Private Finance Initiatives (PFI)

PFI contracts involve a private sector entity (the PFI contractor) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The PFI contractor is paid for its services over the period of the arrangement.

The council has signed three PFI contracts – secondary schools, central library and integrated waste management. As the council controls the services that are provided under these PFI contracts and the ownership of the fixed assets passes to the council at the end of the contracts for no additional charge, the council recognises the fixed assets used under the contracts on the Balance Sheet.

For assets owned by the council prior to the PFI contract and then transferred to the PFI contractor as part of the PFI contract the asset is recognised at the fair value at the time the asset was transferred. For assets acquired or constructed by the PFI contractor under the PFI contract the asset is recognised at the cost of purchase or construction. This value is also used as the basis for calculating the liability for amounts due to the PFI contractor to pay for the assets.

Fixed assets in relation to PFI recognised on the Balance Sheet are accounted for using the policies applied generally to other tangible fixed assets owned by the council.

The amounts payable to the PFI operators each year are analysed into three elements:

- fair value of the services received during the year – debited to the relevant service revenue account in the Income and Expenditure Account
- payment towards liability – applied to write down the Balance Sheet liability to the PFI operator
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account

18 Investments (other than Financial Assets)

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

19 Landfill Allowance Trading Scheme

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

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

20 Local Taxes (Council Tax and NNDR)

As a Billing Authority the council collects and distributes Council Tax on behalf of itself and other preceptors and therefore acts as an agent of the major preceptors. Only the billing authority's share of income and expenditure from the collection fund is accounted for in the Balance Sheet.

The council collects National Non Domestic Rates (NNDR) as an agent activity on behalf of central government. A creditor or debtor for cash collected from NNDR debtors, as an agent of the Government, but not paid to or overpaid to the Government is recognised at the Balance Sheet date.

Brighton & Hove City Council

Single Entity
Core Financial Statements
2009/10

Income and Expenditure Account

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

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

Year ended 31 March 2009	Operations	Year ended 31 March 2010		
Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
(4,804)	Central Services to the Public	40,905	(38,589)	2,316
65,507	Cultural, Environmental, Regulatory and Planning Services	95,776	(28,313)	67,463
80,509	Children's and Education Services	277,776	(207,180)	70,596
11,774	Highways and Transport Services	39,822	(25,314)	14,508
108,729	Housing Services - Housing Revenue Account (HRA)	(46,286)	(46,202)	(92,488)
11,181	Other Housing Services	187,361	(179,464)	7,897
85,880	Adult Social Care	130,077	(48,154)	81,923
5,669	Corporate and Democratic Core (General Fund)	6,141	0	6,141
222	Corporate and Democratic Core (HRA)	222	0	222
5,382	Non Distributed Costs	549	0	549
370,049	**Net Cost of Services**	**732,343**	**(573,216)**	**159,127**
(491)	(Gain)/Loss on Disposal of Fixed Assets including Disposal Costs (General Fund)			(281)
(311)	(Gain)/Loss on Disposal of Fixed Assets including Disposal Costs (HRA)			(440)
237	Precepts and Levies			215
11,866	Interest Payable and Similar Charges (General Fund)			7,686
4,330	Interest Payable and Similar Charges (HRA)			3,265
554	Contribution of Housing Capital Receipts to Government Pool			719
(7,539)	Interest and Investment Income (General Fund)			(1,503)
(241)	Interest and Investment Income (HRA)			(135)
718	Sussex Innovation Centre Share Write down			0
4,983	Pensions Interest Cost and Expected Return on Pension Assets (General Fund)			10,479
228	Pensions Interest Cost and Expected Return on Pension Assets (HRA)			493
384,383	**Net Operating Expenditure**			**179,625**
	Demand on the Collection Fund			
(110,955)	Collection Fund Demand			(113,948)
298	Transfers to / (from) the Collection Fund			(1,594)
(27)	Parish Council Precepts from the Collection Fund			(27)
	General Government Grants			
(1,577)	Local Public Service Agreement (LPSA) Performance Reward Grant			(462)
(12,928)	Revenue Support Grant			(20,177)
(13,909)	Area Based Grant			(13,954)
(92,871)	**Distribution from National Non Domestic Rate Pool**			(87,416)
152,414	**Total (Surplus) / Deficit for the year**			**(57,953)**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax, NNDR and Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

The negative expenditure on the HRA line of the Net Cost of Service includes (£90.359m) relating to the partial reversal of the previous year's impairment of council dwellings. See note 6 of the HRA financial statements for more details.

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

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

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

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

Expenditure and Income Analysis	2008/09 £'000	2009/10 £'000
Employee Related Expenditure	306,604	292,388
Premises Related Expenditure	59,881	64,353
Transport Related Expenditure	17,201	18,358
Supplies and Services	64,755	68,398
Third Party Payments	149,174	152,472
Transfer Payments	167,528	185,479
Support Services	49,673	57,484
Capital Financing Costs	179,715	(15,114)
Government Grants	(338,524)	(367,117)
Other Grants, Reimbursements and Contributions	(63,896)	(65,965)
Customer and Client Receipts	(137,725)	(137,137)
Interest	(11,954)	(8,265)
Recharges to Other Services	(58,049)	(65,709)
Net Operating Expenditure	**384,383**	**179,625**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

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

- Employee Related Expenditure – includes total salaries, employers' national insurance contributions, employers' pension contributions and indirect employee expenses including the adjustments required to adjust employee costs to a FRS 17 basis;
- Premises Related Expenditure – includes all running costs, expenditure on goods, services and contractors directly related to premises and land;
- Transport Related Expenditure – includes all costs connected with the provision, hire or use of transport for employees and clients;
- Supplies and Services – include all direct supplies and services expenditure incurred;
- Third Party Payments – include payments to third party providers of local authority services (e.g. payments to government departments, voluntary associations, private contractors and other agencies);
- Transfer Payments – include education awards paid to school pupils and students in further education, housing and council tax benefits;

- Support Services – include the recharge of management and administration costs and support services costs (e.g. financial services, human resources, legal services, property services) to front line services and internal recharges between services;
- Capital Financing Costs – include depreciation of fixed assets, interest charges, impairment of fixed assets, revenue expenditure funded from capital under statute, government grant deferred write down and provision for repayment of debt;
- Customer and Client Receipts – include rents and fees and charges;
- Recharges to Other Services – include the offset credit of the charge of support services to front line services.

The surplus on the Income and Expenditure Account of £57.953m does not reflect the definitive measure of the council's financial performance for the year (i.e. the movement on the General Fund Balance) because of the following reasons:

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

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

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

Statement of Movement on the General Fund Balance

The income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the year. However, this accounting basis is out of line with the statutory provisions that specify the net expenditure that authorities need to take into consideration when setting Council Tax levels; such differences include retirement benefits which are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned, and capital investment which is accounted for as it is financed, rather than when the fixed assets are consumed.

The General Fund Balance shows whether the council has over or under-spent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Statement of Movement on the General Fund Balance is a reconciliation statement which summarises the differences between the surplus / deficit on the income and Expenditure Account and the amount transferred to the General Fund Balance.

2008/09 £'000		2009/10 £'000
152,414	(Surplus) / Deficit for the year on the Income and Expenditure Account	(57,953)
(152,414)	Net additional amount required by Statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance	57,953
0	**Movement on the General Fund Balance**	**0**
(9,000)	**Opening General Fund Balance**	**(9,000)**
(9,000)	**Closing General Fund Balance**	**(9,000)**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax and Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

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

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

2008/09 £'000		2009/10 £'000
	Amounts to be included in the Income and Expenditure Account but required to be excluded when determining the Movement on the General Fund Balance for the year	
(632)	Amortisation of Intangible Fixed Assets	(825)
878	Gain / (Loss) on Disposal of Fixed Assets	891
(718)	Sussex Innovation Centre Share Write down	0
(26,935)	Depreciation of Fixed Assets	(27,905)
(126,864)	Impairment of Fixed Assets	(18,196)
0	Partial Reversal of Previous Year's Impairment of Council Dwellings	90,359
(3,660)	Excess of Depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	(3,657)
14,539	Government Grants Deferred Amortisation	13,598
574	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	309
(9,248)	Revenue Expenditure Funded from Capital under Statute	(11,101)
(138)	Amount by which Council Tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.	4,109
(24,276)	Net charges made for Retirement Benefits in accordance with FRS17	(23,552)
(14,050)	Equal Pay Capitalisation Direction	0
(190,530)		**24,030**
	Amounts not included in the Income and Expenditure Account but required to be included when determining the Movement on the General Fund Balance for the year	
5,827	Statutory Provision for repayment of debt	6,583
811	Capital expenditure charged to the General Fund Balance	1,234
2,338	Capital expenditure charged to the HRA	3,390
(554)	Transfer from Usable Capital receipts to meet payments to the Housing Capital Receipts Pool	(719)
20,317	Employers' contributions payable to the Pension Fund and retirement benefits payable direct to pensioners.	22,184
28,739		**32,672**
	Transfers to/from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year	
(1,748)	Statutorily Required transfer (to) / from the HRA Balance	(279)
1,386	Transfer from HRA Working Balance to Capital Reserves	0
1,790	Provision for voluntary repayment of debt	4,274
69	Transfer from / (to) General Fund Working Balance to / (from) Capital Reserves	(170)
3,308	Transfer from General Fund Working Balance to General Reserves	235
4,572	Net Transfer to / (from) Earmarked Reserves	(2,809)
9,377		**1,251**
(152,414)	**Net additional amount required by Statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance**	**57,953**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax and Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details. The main difference in the movement between years on the net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance is in relation to the partial reversal of the previous year's impairment of HRA council dwellings. See note 6 of the HRA financial statements for more details.

Statement of Total Recognised Gains and Losses

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

The Total Recognised Gains and Losses for the year reconciles to the movement of the Total Net Worth of the Balance Sheet between financial years.

2008/09 £'000		2009/10 £'000
152,414	(Surplus) / Deficit for the year on the Income and Expenditure Account	(57,953)
(116,253)	Surplus arising on Revaluation of Fixed Assets	(56,553)
(5)	(Surplus) / Deficit arising on Revaluation of Available-for-sale Financial Assets	67
58,667	Actuarial (gains) / losses on Pension Fund Assets and Liabilities	201,098
(22)	Deferred Credits *	0
(235)	Removal of Precepting Authorities Share of Council Tax as at 1 April 2008	0
0	Any other (gains) / losses required to be included in the STRGL	0
94,566	**Total Recognised Gains and Losses for the year**	**86,659**

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

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax. Please see note 2 Prior Period Adjustments for more details.

Balance Sheet

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

As at 31 March 2009		As at 31 March 2010	
£'000		£'000	£'000
2,976	**Intangible Assets** (Note 24)		3,438
	Tangible Fixed Assets: (Note 15)		
	Operational Assets		
691,569	Council Dwellings	784,604	
888,336	Other Land & Buildings	951,098	
11,725	Vehicles, Plant, Furniture & Equipment	12,443	
92,797	Infrastructure Assets	99,243	
8,184	Community Assets	10,538	
1,692,611			1,857,926
	Non Operational Assets		
185,176	Investment Properties	179,134	
2,947	Assets Under Construction	892	
13,418	Surplus Assets Held for Disposal	6,085	
201,541			186,111
1,897,128	**Total Fixed Assets**		**2,047,475**
2,627	Long Term Investments (Note 42)		0
10,667	Long Term Debtors (Note 46)		13,294
1,910,422	**Total Long Term Assets**		**2,060,769**
	Current Assets		
54,728	Short Term Investments (Note 42)	43,022	
981	Stocks & Work in Progress (Note 47)	954	
46,476	Debtors (Note 43)	50,338	
2,525	Landfill Usage Allowances (Note 50)	717	
104,710			95,031
	Current Liabilities		
(335)	Short Term Borrowing (Note 42)	(43,713)	
(2,484)	LATS Deferred Income (Note 50)	(502)	
(77,518)	Creditors (Note 44)	(68,852)	
(3,780)	Bank Overdraft (Note 42)	(2,739)	
(84,117)			(115,806)
1,931,015	**Total Assets Less Current Liabilities**		**2,039,994**
(195,379)	Long Term Borrowing (Note 42)	(161,643)	
(1,199)	Provisions (Note 29)	(1,798)	
(217)	Deferred Credits (Note 48)	(207)	
(79,683)	Government Grants Deferred	(103,080)	
(2,155)	Government Grants Unapplied (Note 51)	(550)	
(3,531)	Section 106 Receipts Unapplied (Note 51)	(3,558)	
(24,977)	Deferred Liability (Note 20)	(29,478)	
(138,869)	Pensions Liability (Note 38)	(341,334)	
(446,010)			(641,648)
1,485,005	**Total Assets Less Liabilities**		**1,398,346**

As at 31 March 2009		As at 31 March 2010	
£'000		£'000	£'000
	Note 30		
(177,854)	Revaluation Reserve		(230,185)
(1,358,226)	Capital Adjustment Account		(1,425,313)
(76)	Available-for-Sale Financial Instruments Reserve		(9)
2,070	Financial Instruments Adjustment Account		1,761
1,507	Collection Fund Adjustment Account		(2,602)
(91)	Usable Capital Receipts Reserve		(2)
0	Major Repairs Reserve		0
138,869	Pensions Reserve (Note 38)		341,334
(11,380)	PFI Prepayment Reserve		(12,653)
	Funds Balances & Reserves		
(58,632)	Earmarked Reserves	(52,094)	
(9,000)	General Fund Working Balance	(9,000)	
(2,310)	General Fund General Reserves	(205)	
(87)	Other Specific Reserves	(80)	
(2,662)	LMS Reserves (Note 35)	(2,567)	
(3,231)	Standards Fund Reserve	(3,108)	
(3,902)	Housing Revenue Account	(3,623)	
			(70,677)
(1,485,005)	**Total Net Worth**		**(1,398,346)**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax, NNDR and Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

These financial statements replace the un-audited financial statements authorised at the meeting of the Audit Committee on 29 June 2010.

Catherine Vaughan CPFA
Director of Finance & Resources (Section 151 Officer)
28 September 2010

Cash Flow Statement

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

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

Year to 31 March 2009		Year to 31 March 2010	
£'000		£'000	£'000
	Revenue Activities		
	Cash Outflows		
298,009	Cash paid to and on behalf of Employees	289,143	
319,508	Other Operating Cash Payments	327,105	
152,019	Housing Benefit paid out	170,609	
656	Payments to Capital Receipts Pool	354	
770,192			787,211
	Cash Inflows		
(55,341)	Rents (after rebates)	(56,642)	
(110,836)	Council Tax Receipts	(115,408)	
(12,957)	Revenue Support Grant	(20,177)	
(91,605)	NNDR Receipts from National Pool	(87,416)	
(148,078)	Department for Work & Pensions (DWP) Grants for Benefits	(167,345)	
(207,546)	Other Government Grants	(211,794)	
(102,301)	Cash Received for Goods & Services	(80,169)	
(63,688)	Other Operating Cash Receipts	(66,050)	
(792,352)			(805,001)
(22,160)	**Net Cash (Inflow)/Outflow from Revenue Activities (Note 39)**		**(17,790)**
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
11,613	Interest Paid	10,349	
7	Interest Element of Finance Lease Rental Payments	1	
	Cash Inflows		
(7,836)	Interest Received	(669)	
	Capital Activities		
	Cash Outflows		
43,547	Purchase of Fixed Assets	57,811	
9,248	Revenue Expenditure Funded from Capital	11,101	
20	Other Capital Cash Payments	29	
	Cash Inflows		
(2,457)	Sale of Fixed Assets	(1,846)	
(12,959)	Capital Grants Received	(38,243)	
(468)	Other Capital Cash Receipts	(668)	
40,715			37,865
18,555	**Net Cash (Inflow)/Outflow Before Financing**		**20,075**

Year to 31 March 2009		Year to 31 March 2010	
£'000		£'000	£'000
	Management of Liquid Resources		
(60,581)	Short Term Investments (Note 40)		(14,455)
(210)	Other Liquid Resources		2,889
	Financing		
	Cash Outflows		
68,367	Repayments of Amounts Borrowed (Note 40)	185,950	
	Cash Inflows		
(21,350)	New Long Term Loans Raised (Note 40)	(15,000)	
(3,000)	New Short Term Loans (Note 40)	(180,500)	
			(9,550)
1,781	**Net (Increase)/Decrease in Cash (Note 39)**		**(1,041)**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax and NNDR. Please see note 2 Prior Period Adjustments for more details.

Notes to the Core Financial Statements

Statutorily Required

1 Acquired and Discontinued Operations

There are no acquired or discontinued operations to disclose.

2 Prior Period and Exceptional/Extraordinary Items

Prior Period Adjustments

The 2009 SORP requires prior period adjustments to be made for material adjustments arising from changes in accounting policies. This would mean that previous year transactions would have to be restated to bring them in line with the new accounting policies.

The 2009 SORP introduced changes to the accounting treatment for Council Tax, NNDR and Private Finance Initiatives (PFI). These changes are changes in accounting policies and therefore require the restatement of the 2008/09 comparative figures shown in these accounts compared to those published in the original 2008/09 Statement of Accounts. The areas concerned are:

- Changes in the Accounting for Council Tax - The 2009 SORP concludes that billing authorities act as agents of major precepting authorities in collecting their attributable share of Council Tax. Billing authorities and major preceptors share proportionately the risks and rewards that the amount of Council Tax collected could be less or more than predicted.
- Changes in the Accounting for NNDR - The 2009 SORP confirms that the collection of National Non Domestic Rates (NNDR) is carried out by authorities in England, Scotland and Wales as an agent activity on behalf of central government and should be accounted for accordingly.
- Changes in the Accounting for PFI - A year ahead of the general switch to IFRS-based accounting standards; Appendix E to the SORP was updated according to the principles of IFRIC 12 Service Concession Arrangements. Implementation of an IFRIC 12 approach, with full prior period adjustment was therefore required for 2009/10.

These changes have had the following impact on the comparative figures for 2008/09 compared to those published in the 2008/09 Statement of Accounts. Please note the following tables only show extracts of the financial statements where figures have been adjusted to take account of the changes in accounting policies.

Income and Expenditure Account

Extract from the Income and Expenditure Account	2008/09 (Published)	Accounting for Council Tax Adjustment	Accounting for PFI Adjustment	2008/09 (Adjusted)
	£'000	£'000	£'000	£'000
Cultural, Environmental, Regulatory and Planning Services	69,965	0	(4,458)	65,507
Children's and Education Services	82,653	0	(2,144)	80,509
Net Cost of Services	**376,651**	**0**	**(6,602)**	**370,049**
Interest Payable and Similar Charges (General Fund)	9,482	0	2,384	11,866
Net Operating Expenditure	**388,601**	**0**	**(4,218)**	**384,383**
Collection Fund Demand	(111,093)	138	0	(110,955)
Total Deficit for the year	**156,494**	**138**	**(4,218)**	**152,414**

Statement of Movement on the General Fund Balance

Statement of Movement on the General Fund Balance	2008/09 (Published)	Accounting for Council Tax Adjustment	Accounting for PFI Adjustment	2008/09 (Adjusted)
	£'000	£'000	£'000	£'000
Deficit for the year on the Income and Expenditure Account	156,494	138	(4,218)	152,414
Net additional amount required by Statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance	(156,494)	(138)	4,218	(152,414)
Movement on the General Fund Balance	0	0	0	0
Opening General Fund Balance	**(9,000)**	**0**	**0**	**(9,000)**
Closing General Fund Balance	**(9,000)**	**0**	**0**	**(9,000)**

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

Extract from the Statement of Movement on the General Fund Balance - note of reconciling items	2008/09 (Published)	Accounting for Council Tax Adjustment	Accounting for PFI Adjustment	2008/09 (Adjusted)
	£'000	£'000	£'000	£'000
Depreciation of Fixed Assets	(26,134)	0	(801)	(26,935)
Deferred Consideration Write Down	(982)	0	982	0
Amount by which Council Tax income and residual community charge adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.	0	(138)	0	(138)
Capital expenditure charged to the General Fund Balance	612	0	199	811
Provision for voluntary repayment of debt	1,344	0	446	1,790
Net Transfer to Earmarked Reserves	1,180	0	3,392	4,572
Net additional amount required by Statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance	**(156,494)**	**(138)**	**4,218**	**(152,414)**

Statement of Total Recognised Gains and Losses

Extract from the Statement of Total Recognised Gains and Losses	2008/09 (Published)	Accounting for Council Tax Adjustment	Accounting for PFI Adjustment	2008/09 (Adjusted)
	£'000	£'000	£'000	£'000
Deficit on the Income and Expenditure Account for the year	156,494	138	(4,218)	152,414
Surplus on Revaluation of Fixed Assets	(61,674)	0	(54,579)	(116,253)
Deficit on the Collection Fund	162	(162)	0	0
Removal of Precepting Authorities Share of Council Tax as at 1 April 2008	0	(235)	0	(235)
Total Recognised Gains and Losses for the year	**153,622**	**(259)**	**(58,797)**	**94,566**

Balance sheet

Extract from the Balance Sheet	2008/09 (Published)	Accounting for Council Tax Adjustment	Accounting for NNDR Adjustment	Accounting for PFI Adjustment	2008/09 (Adjusted)
	£'000	£'000	£'000	£'000	£'000
Other Land & Buildings	798,600	0	0	89,736	888,336
Vehicles, Plant, Furniture & Equipment	9,527	0	0	2,198	11,725
Deferred Consideration	18,799	0	0	(18,799)	0
Long Term Debtors	639	0	0	10,028	10,667
Total Long Term Assets	**1,827,259**	**0**	**0**	**83,163**	**1,910,422**
Debtors	48,647	(221)	(3,302)	1,352	46,476
Creditors	(80,559)	480	3,302	(741)	(77,518)
Total Assets Less Current Liabilities	**1,846,982**	**259**	**0**	**83,774**	**1,931,015**
Deferred Liability	0	0	0	(24,977)	(24,977)
Total Assets Less Liabilities	**1,425,949**	**259**	**0**	**58,797**	**1,485,005**
Revaluation Reserve	(151,501)	0	0	(26,353)	(177,854)
Capital Adjustment Account	(1,337,162)	0	0	(21,064)	(1,358,226)
Collection Fund Adjustment Account	0	1,507	0	0	1,507
PFI Prepayment Reserve	0	0	0	(11,380)	(11,380)
Collection Fund	1,766	(1,766)	0	0	0
Total Net Worth	**(1,425,949)**	**(259)**	**0**	**(58,797)**	**(1,485,005)**

Cash flow Statement

Extract from the Cash Flow Statement	2008/09 (Published)	Accounting for Council Tax Adjustment	Accounting for NNDR Adjustment	2008/09 (Adjusted)
	£'000	£'000		£'000
Cash Outflows				
Other operating cash payments	319,083	0	425	319,508
NNDR Payments to National Pool	86,690	0	(86,690)	0
Precepts	19,157	(19,157)	0	0
Cash Inflows				
Council Tax Receipts	(130,162)	19,326	0	(110,836)
NNDR Receipts	(86,306)	0	86,306	0
Net Cash (Inflow)/Outflow from Revenue Activities	**(22,370)**	**169**	**41**	**(22,160)**
Net Cash (Inflow)/Outflow Before Financing	**18,345**	**169**	**41**	**18,555**
Management of Liquid Resources				
Other Liquid Resources	0	(169)	(41)	(210)
Net (Increase)/Decrease in Cash	**1,781**	**0**	**0**	**1,781**

Exceptional Items

There are no exceptional items to disclose.

Extraordinary Items

There are no extraordinary items to disclose.

3 Private Finance Initiative (PFI)

Schools PFI

The council has entered into a 25 year contract with Brighton & Hove City Schools Services Limited for the expansion and refurbishment of four secondary schools. The contract commenced in April 2003. In 2005 the contract was varied to reduce the number of schools to three.

In March 2010 the council negotiated the removal of "soft services" (i.e. caretaking, cleaning, catering, grounds maintenance) and utilities from the Schools PFI. As a result the amount payable to the Schools PFI Provider has reduced with the schools now directly responsible for the procurement and payment of these services

Waste PFI

In conjunction with East Sussex County Council, the council jointly entered into a 25 year agreement for the provision of an integrated waste management service with Southdown Waste Services Ltd. The agreement commenced in April 2003. This agreement was subsequently extended by a further five years.

Library PFI

A contract with NU Library for Brighton Limited for the provision of a new library and library service commenced in November 2004. The contract will run for 25 years.

Note 20 outlines the associated assets and liabilities now accounted for by the council for each of these PFI contracts.

4 Trading Operations

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

5 Agency Income and Expenditure

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

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

6 Transport Act 2000 Schemes

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

7 Pooled Budgets

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

Adult Social Care

With effect from 1 April 2002, some adult social services have been provided within the geographical area covered by Brighton & Hove City Council under a partnership arrangement between the city council,

Brighton & Hove City Teaching Primary Care Trust (PCT), the South Downs Health NHS Trust (SDHT) and the Sussex Partnership Foundation Trust. The PCT act as lead commissioner for intermediate care, mental health, substance misuse and AIDS/HIV services whilst the council is the lead for learning disability services for which it is also the lead provider. SDHT are the lead provider for intermediate care, AIDS/HIV and the community equipment store whilst the Sussex Partnership Foundation Trust is the lead provider for mental health and substance misuse services.

The council made a commissioning contribution of £37.241m (£35.329m 2008/09) to the various pooled budget arrangements in 2009/10. This contribution is reflected in the Income and Expenditure Account under Adult Social Care. The gross income to the partnerships is £80.134m (£79.357m 2008/09) including PCT commissioning contributions. This has been expended by lead providers as follows:

Expenditure	2008/09 £'000	2009/10 £'000
South Downs NHS Trust	5,719	4,813
Sussex Partnership FoundationTrust	45,212	45,395
Brighton & Hove City Council	28,426	29,926
Total	**79,357**	**80,134**

Please note the contribution of £37.241m reflects the gross funding provided by the council to the pooled budget whereas the expenditure figures included in the above table reflects the expenditure for the service areas provided by each party. The expenditure for Brighton & Hove City Council relates to Learning Disability, for which the council is the lead commissioner.

Children & Young People's Trust (CYPT)

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

The council made a contribution of £90.872m (£84.929m 2008/09) to the pooled budget arrangement in 2009/10. This contribution is reflected in the Income and Expenditure Account under Children's and Education services. The gross income to the partnership of £99.638m (£94.251m 2008/09) has been spent as follows:

Expenditure	2008/09 £'000	2009/10 £'000
Brighton & Hove City Council	84,929	90,872
South Downs NHS Trust	7,335	7,489
Brighton & Hove City Teaching Primary Care Trust	1,987	1,277
Total	**94,251**	**99,638**

8 General Government Grants

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

The main items of general grant is formula grant (made up of the Revenue Support Grant and National Non Domestic Rates) which is distributed amongst all authorities according to relative need as determined by formulae.

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

Revenue Support Grant (RSG)

RSG is a non ring-fenced government grant which can be used by the council to finance revenue expenditure on any service. The level of RSG allocated to the council in 2009/10 was £20,176,743.

Area Based Grant (ABG)

ABG is a non ring-fenced general grant allocated directly to local authorities according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ring fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas. The level of ABG received by the council in 2009/10 was £13,953,840.

Local Public Service Agreement Grant (LPSA)

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

The council received £462,073 Performance Reward Grant in 2009/10 in relation to the agreed outcomes under LPSA 2.

9 Members' Allowances

The gross amount paid by way of members' allowances during the year amounted to £868,719 (2008/9 £859,772). Details of allowances paid in 2009/10 will be published in the local newspaper, The Argus and posted on the notice boards outside the Town Halls in Brighton and Hove and on the council's website, www.brighton-hove.gov.uk.

10 Disclosure of Executive Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more, in bands of £5,000 was:

Remuneration Band	2008/09 Number of Staff*	2009/10 Number of Staff*
£50,000 - £54,999	90	101
£55,000 - £59,999	46	52
£60,000 - £64,999	31	38
£65,000 - £69,999	18	23
£70,000 - £74,999	19	8
£75,000 - £79,999	3	8
£80,000 - £84,999	3	5
£85,000 - £89,999	4	4
£90,000 - £94,999	1	1
£95,000 - £99,999	0	1
£100,000-£104,999	2	1
£105,000-£109,999	0	3
£110,000-£114,999	0	1

*The bandings do not include the remuneration for senior employees who have been disclosed individually below.

There is a new legal requirement to increase transparency and accountability in local government for reporting the remuneration of senior employees. The definition of senior employee is provided in the amended Accounts and Audit Regulations and includes the chief executive, identified by job title and name, together with directors who report directly to the chief executive or hold a statutory post, identified by job title. The senior officer's emoluments are detailed on the next page broken down between salaries of £150,000 or more per year and salaries of between £50,000 and £149,999 per year.

Senior Officers emoluments - salary is £150,000 or more per year

2008/09					
Post holder information	Salary (Including Fees & Allowances)	Expense Allowances	Total Remuneration excluding pension contributions 2008/09	Pension Contributions	Total Remuneration including pension contributions 2008/09
	£	£	£	£	£
Chief Executive - A McCarthy	172,500	0	172,500	30,700	203,200
Total 2008/09	**172,500**	**0**	**172,500**	**30,700**	**203,200**

2009/10					
Post holder information	Salary (Including Fees & Allowances)	Expense Allowances	Total Remuneration excluding pension contributions 2009/10	Pension Contributions	Total Remuneration including pension contributions 2009/10
	£	£	£	£	£
Chief Executive - A McCarthy until 30th April 2009	20,300	0	20,300	2,400	22,700
Interim Chief Executive - A Bailey until 30th September 2009	75,100	0	75,100	12,500	87,600
Chief Executive - J Barradell from 1st October 2009	85,000	8,700	93,700	14,200	107,900
Total 2009/10	**180,400**	**8,700**	**189,100**	**29,100**	**218,200**

Senior Officers emoluments - salary is between £50,000 and £149,999 per year

2008/09					
Post information	Salary (Including Fees & Allowances)	Expense Allowances	Total Remuneration excluding pension contributions 2008/09	Pension Contributions	Total Remuneration including pension contributions 2008/09
	£	£	£	£	£
Director of Strategy & Governance	94,000	0	94,000	15,400	109,400
Director of Adult Social Care & Housing	123,100	0	123,100	20,200	143,300
Director of Culture & Enterprise	60,600	0	60,600	10,000	70,600
Director of Environment	110,100	0	110,100	18,100	128,200
Director of Children's Services	122,900	9,600	132,500	20,200	152,700
Director of Finance & Resources until September 2008 (see note 1)	52,900	0	52,900	13,100	66,000
Total 2008/09	**563,600**	**9,600**	**573,200**	**97,000**	**670,200**

2009/10					
Post information	Salary (Including Fees & Allowances)	Expense Allowances	Total Remuneration excluding pension contributions 2009/10	Pension Contributions	Total Remuneration including pension contributions 2009/10
	£	£	£	£	£
Director Strategy & Governance from October 2009	50,100	0	50,100	8,400	58,500
Interim Director Strategy & Governance until September 2009	51,800	0	51,800	9,000	60,800
Director of Adult Social Care & Housing until February 2010 (see note 2)	110,100	0	110,100	18,400	128,500
Director of Culture & Enterprise (see note 2)	94,700	0	94,700	15,800	110,500
Director of Environment	109,700	0	109,700	16,700	126,400
Director of Children's Services	122,900	0	122,900	20,500	143,400
Director of Finance & Resources from September 2009 (see note 1)	62,500	0	62,500	10,800	73,300
Total 2009/10	**601,800**	**0**	**601,800**	**99,600**	**701,400**

Notes

(1) An Interim Director of Finance & Resources was appointed on a consultancy basis between September 2008 and August 2009; the interim arrangement has been excluded from this note. The full year equivalent salary of the permanent post would have been £95,000 in 2008/09 and £100,000 in 2009/10

(2) The Director of Adult Social Care & Housing left in February 2010; this was followed by a restructure. The Housing element was assigned to the Director of Culture & Enterprise, which was renamed the Director of Housing, Culture & Enterprise. The post of Interim Director of Adult Social Care was filled by an acting up arrangement and has not been included in this note.

11 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 shows the extent to which the council's financial standing may have been affected by these relationships.

Government Grants

Under the criteria set by Financial Reporting Standard (FRS) 8, Related Party Disclosures, grants from central government are considered to be related party transactions. Central government provides the statutory framework, within which the council operates, provides much of its funding and prescribes the terms of many of the transactions the council has with other parties. Details of the general grants and specific grants received in 2009/10 can be found in notes 8 and 41 respectively.

Levying Authorities

Other public bodies may levy the council, that is, to make a demand on the Council Tax requirement. For 2009/10 levies totalled £201,434 (£196,998 2008/09). These are included in the Income and Expenditure Account together with a precept of £27,000 for Rottingdean Parish Council.

Members and Senior Staff

Members of the council have direct control over the council's financial and operating policies. During 2009/10, works and services to the value of £9.337m (£6.995m 2008/09) were commissioned from companies in which members have declared an interest. Contracts were entered into in full compliance with the council's standing orders. Details can be found in the Register of Member's Interests on the council's website under each councillor.

In 2009/10 there are no related party transactions requiring disclosure in relation to senior staff. For the purpose of this disclosure, senior staff has been defined as Assistant Director level and above.

12 External Audit Costs

In 2009/10 the council incurred the following fees relating to external audit and inspection:

	2008/09 £'000	2009/10 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	320	368
Fees payable to the Audit Commission in respect of statutory inspection	25	18
Fees payable to the Audit Commission for the certification of grant claims and returns	66	65
Total	**411**	**451**

The amounts for external audit services carried out by the appointed auditor and certification of grants in 2008/09 have been updated from the estimate originally shown in last year's accounts to reflect the actual costs incurred.

Work relating to 2009/10 certification of grants has not yet been completed; however an estimate of the level of fees to be charged has been included in the above note.

13 The Statement of Movement on the General Fund Balance

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

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

A breakdown detailing the additional amounts that are required by statute and proper practices to be debited or credited to the General Fund for the year is included on page 38.

15 Summary of Capital Expenditure and Fixed Asset Disposals

In accordance with that recommended by SORP, this note has been remodelled in order to match more closely with the structure expected for Whole of Government Accounts and ensures that the brought forward cost or valuation of each class of assets is clearly identified from accumulated depreciation. Impairments resulting from formal revaluations are recorded in the Cost or valuation section of the table. Other impairments not measured as part of a formal revaluation are shown in the depreciation and impairments section of the table and treated as accelerated depreciation. This preserves the integrity of the disclosure which is intended to distinguish cost/valuation from accumulated depreciation. The opening balances have been adjusted to take account of this change in presentation.

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

Movements in Year Operational Assets						
Operational Assets	Council Dwellings £'000	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
Cost or valuation						
At 1 April 2009	**704,102**	**929,642**	**27,969**	**126,110**	**8,184**	**1,796,007**
Additions	16,578	29,854	3,532	10,556	1,673	62,193
Disposals	(538)	(303)	0	0	0	(841)
Reclassifications	0	13,655	9	2,009	681	16,354
Impairments	(558)	(6,625)	0	0	0	(7,183)
Reversal of past impairment losses written back in period	77,835	0	0	0	0	77,835
Revaluations	0	37,450	0	0	0	37,450
At 31 March 2010	**797,419**	**1,003,673**	**31,510**	**138,675**	**10,538**	**1,981,815**
Depreciation and impairments						
At 1 April 2009	**(12,533)**	**(41,306)**	**(16,244)**	**(33,313)**	**0**	**(103,396)**
Depreciation	(12,815)	(18,915)	(2,822)	(6,119)	0	(40,671)
Disposals	9	0	0	0	0	9
Reclassifications	0	167	(1)	(0)	0	166
Impairments	0	(5,718)	0	0	0	(5,718)
Revaluations	12,524	13,197	0	0	0	25,721
At 31 March 2010	**(12,815)**	**(52,575)**	**(19,067)**	**(39,432)**	**0**	**(123,889)**
Balance Sheet amount at 31 March 2010	**784,604**	**951,098**	**12,443**	**99,243**	**10,538**	**1,857,926**
Balance Sheet amount at 31 March 2009	**691,569**	**888,336**	**11,725**	**92,797**	**8,184**	**1,692,611**
Nature of asset holding						
Owned	784,604	856,313	9,621	99,243	10,538	1,760,319
Finance Lease	0	0	0	0	0	0
PFI	0	94,785	2,822	0	0	97,607
Balance Sheet amount at 31 March 2010	**784,604**	**951,098**	**12,443**	**99,243**	**10,538**	**1,857,926**

Please note the 2008/09 comparative figures for land and buildings and vehicles, plant, furniture and equipment have been adjusted to reflect the changes in the accounting treatment for Private Finance Initiative (PFI). Please see note 2 Prior Period Adjustments for more details.

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

Movements in Year Non Operational Assets				
Non Operational Assets	**Investment Properties** £'000	**Assets Under Construction** £'000	**Surplus Assets Held for Disposal** £'000	**Total** £'000
Cost or valuation				
At 1 April 2009	**185,176**	**2,947**	**13,708**	**201,831**
Additions	555	386	0	941
Disposals	(287)	0	0	(287)
Reclassifications	(12,071)	(2,441)	(1,842)	(16,354)
Impairments	(4,086)	0	(5,968)	(10,054)
Revaluations	10,145	0	575	10,720
At 31 March 2010	**179,432**	**892**	**6,473**	**186,797**
Depreciation and impairments				
At 1 April 2009	**0**	**0**	**(290)**	**(290)**
Depreciation	0	0	(245)	(245)
Reclassifications	(149)	0	(17)	(166)
Impairments	(149)	0	121	(28)
Revaluations	0	0	43	43
At 31 March 2010	**(298)**	**0**	**(388)**	**(686)**
Balance Sheet amount at 31 March 2010	**179,134**	**892**	**6,085**	**186,111**
Balance Sheet amount at 31 March 2009	**185,176**	**2,947**	**13,418**	**201,541**
Nature of asset holding				
Owned	179,134	892	6,085	186,111
Finance Lease	0	0	0	0
PFI	0	0	0	0
Balance Sheet amount at 31 March 2010	**179,134**	**892**	**6,085**	**186,111**

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

	2008/09 £'000	2009/10 £'000
Opening Capital Financing Requirement	**257,531**	**281,660**
Capital Investment		
- Operational Assets	47,279	62,193
- Non-Operational Assets	888	941
- Intangible Assets	972	1,283
- Revenue Expenditure Funded From Capital	9,248	11,101
- Loans to Leaseholders	95	77
- Capitalisation Direction - Equal Pay	14,050	0
Sources of Finance		
- Capital Receipts	(4,605)	(1,330)
- Government Grants	(14,371)	(36,394)
- Other Contributions	(279)	(1,156)
- Major Repairs Allowance (HRA)	(9,067)	(9,352)
- Reserves	(7,205)	(4,262)
- Revenue Contributions	(4,126)	(4,368)
- Revenue provision within payment to PFI contractor	(199)	(222)
Revenue provision for repayment of loans	(8,551)	(10,857)
Closing Capital Financing Requirement	**281,660**	**289,314**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

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

	2008/09 £'000	2009/10 £'000
Fixed Assets	1,897,128	2,047,475
Mortgages & Deferred Debtors (included in Long Term Debtors)	512	624
Deferred Credits	(217)	(207)
Government Grants Deferred	(79,683)	(103,080)
Capital Adjustment Account	(1,358,226)	(1,425,313)
Revaluation Reserve	(177,854)	(230,185)
	281,660	**289,314**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

Explanation of in year movements in the Capital Financing Requirement:

	2008/09 £'000	2009/10 £'000
Increase in Supported Borrowing	8,612	8,107
Unsupported Borrowing applied towards Capital Funding Requirement	4,625	3,802
Capitalisation Direction - Equal Pay	14,050	0
Increase in PFI liability	5,393	6,602
Repayment of Loans	(8,551)	(10,857)
Increase in underlying need to borrow	**24,129**	**7,654**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

16 Assets Held Under Leases

Operating Leases

The council uses refuse collection vehicles, welfare coaches, miscellaneous vehicles and equipment financed under terms of operating leases. The amount paid under these arrangements in 2009/10 was £0.053m (2008/09 £0.108m). The council is not committed to make any payments under these leases in 2010/11.

Finance Leases

The council has one finance lease with a capital value of £0.141m (£0 at 31 March 2009) funded by a short term liability of £0.057m and a deferred liability of £0.084m There are no lease rental obligations in 2009/10. The council no longer has any secondary lease rental payments.

	Vehicles, Plant, Furniture & Equipment £'000	Total £'000
Leases expiring in 2009/10	0	0
Leases expiring between 2010/11 and 2013/14	141	141
Leases expiring after 2013/14	0	0

17 Assets Held for Leases

The council has no assets held for leases.

18 Capital Commitments

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

Scheme Name	Description	2010/11 £'000	2011/12 £'000	2012/13 £'000
Historical Record Centre (The Keep)	Project to build an archive and historical public records resource centre	500	4,000	500
Support for Major Development Projects	The implementation of key regeneration and infrastructure projects beyond the planning stage	628	0	0
Extended Schools	Capital costs of extended schools to provide access to a range of services and activities, often beyond the school day, to help the needs of children, parents and the wider community	508	0	0
Surestart Early Years	Surestart is the Government's programme to deliver the best start in life for every child by bringing together early education, childcare, health and family support	2,367	0	0
Childens Centres	Children's Centres offer all families with children under 5 a range of services, information and support in their local community	1,266	0	0
Falmer Academy	The development of an Academy at Falmer	16,070	5,445	391
Devolved Formula Capital	Devolved Formula Capital (DFC) is an amount allocated each year to primary and secondary schools to be spent by them on their priorities in respect of buildings, ICT and other capital need	1,842	814	0
Human Resources System	Contract for the provision of an integrated HR/Payroll Management Sytem	679	20	0
Accommodation Strategy - Bartholomew House	The accommodation strategy aligns with the Value For Money (VFM) Phase 2 Programme	846	2,347	0
Falmer Infrastructure Works	Infrastructure at Falmer Community Stadium	2,298	58	0
Car Park Improvements	Improvements to car parks	769	0	0
Lanes Car Park Access	Improvements to the Lanes car park	588	0	0
Controlled car Parking Spaces	On street parking control	340	0	0
City Vitality Sustainability (CIVITAS)	The CIVITAS Initiative helps cities to achieve a more sustainable, clean and energy efficient urban transport system by implementing and evaluating an ambitious, integrated set of technology and policy based measures.	933	249	92
Hollingdean Depot	Health and safety infrastructure works at Hollingdean Depot	476	191	582
Playbuilder (play areas)	The Playbuilder Capital Grant is available to develop new or refurbish existing play spaces aimed primarily at the 8-13 age range.	598	0	0
King Alfred	Urgent works and improvements of the King Alfred Leisure Centre Complex	800	0	0
Electrical Surveys	Housing Revenue Account Electrical Surveys	885	0	0
Private Housing Renewable Programme	Private Sector Renewal service which aims to improve the condition of private sector housing and to regenerate local areas by providing services that meet local and individual needs.	3,884	1,750	1,750
Strategic Investment Fund	Strategic Investment Fund	510	600	600
Vehicles & Plant	Provision for refuse and waste vehicles and plant	2,500	2,500	2,050

Please note the 2010/11 figures for the Human Resources system scheme and the Falmer Infrastructure Works scheme have been updated from those published in the 2008/09 accounts.

19 Asset Holdings – Tangible Fixed Assets

The council holds the following tangible fixed assets:

	At 31 March 2009	At 31 March 2010
Council Dwellings	12,315	12,304
Operational Assets		
Cemeteries	7	7
Mortuary	1	1
Crematorium (Woodvale)	1	1
Waste Management Facilities	1	3
Off-Street Car Parks Leased to National Car Parks (NCP)	0	0
Off-Street Multi Storey Car Parks	4	4
Off-Street Parking Pay and Display Multi Storey	6	6
On Street Parking Pay and Display	1,085	1,140
Museums	3	3
Principal Administrative Offices	3	3
Swimming Pools – Indoor	4	4
Swimming Pools – Outdoor	1	1
Paddling Pools	4	4
Leisure Centres	5	5
Brighton Centre	1	1
Dome Complex	1	1
Preston Manor	1	1
Royal Pavilion	1	1
Volks Railway	1	1
West Blatchington Windmill	1	1
Foredown Tower	1	1
Preston Barracks	1	1
Principal Roads	44km	44km
Other Roads	571km	571km
Public Conveniences	52	53
Park Buildings	191	191
Libraries	16	16
Nursery Schools	2	2
Schools (Including Aided)	67	69
Education Other than at School (EOTAS) Establishments	2	2
Town Halls	3	3
Town Hall Annexe	1	1
Childrens Centres (Hubs)	6	6
Registered Care Homes / Resource Centres	9	9
Supported Accommodation Units	6	6
Day Centres	8	8
Social Care Offices and Contact Centres	9	9
Social Care Workshops and Stores	3	1
Community Assets		
Parks and Open Spaces	1,293 hect	1,293 hect
Allotment Sites	36	36
Mini Golf Courses	3	3
Golf Courses	3	3

Please note the 2008/9 comparative figures have been adjusted to reclassify the allotment figures to reflect the number of sites rather than plots, to correct some inaccuracies in relation to EOTAS establishments and to include the waste management facility following the changes in the accounting treatment for Private Finance Initiatives (PFI).

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

20 Private Finance Initiative (PFI)

The council has three PFI contracts, namely a contract with Brighton & Hove City Schools Services Limited for the expansion and refurbishment of three secondary schools, a joint agreement for the provision of an integrated waste management service with Southdown Waste Services Ltd and a contract with NU Library for Brighton Limited for the provision of a new library and library service.

Assets

Analysis of Movement in Assets Held Under PFI Contract				
	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Cost or valuation				
At 1 April 2009	**78,551**	**5,392**	**12,561**	**96,504**
Additions	97	6,603	125	6,825
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2010	**78,648**	**11,995**	**12,686**	**103,329**
Depreciation and impairments				
At 1 April 2009	**(3,856)**	**0**	**(204)**	**(4,060)**
Depreciation	(1,216)	(240)	(206)	(1,662)
Reclassifications	0	0	0	0
Impairments	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2010	**(5,072)**	**(240)**	**(410)**	**(5,722)**
Balance Sheet amount at 31 March 2010	**73,576**	**11,755**	**12,276**	**97,607**
Movement in the year	(1,119)	6,363	(81)	5,163
Balance Sheet amount at 31 March 2009	**74,695**	**5,392**	**12,357**	**92,444**

The net book value of assets held under the PFI contracts as at 31 March 2010 totalled £97.607m which includes other land and buildings of £94.785m and vehicles, plant and equipment of £2.822m. Please note the opening balances as at 1 April 2009 include fixed assets in relation to PFI of £0.576m which were already included in the 2008/09 accounts on the Balance Sheet

In addition to the tangible fixed assets, there is a prepayment reserve held on the Balance Sheet in relation to the Waste PFI contract. The prepayment reserve represents the amount included in the unitary charge that the council has modelled as contributing towards the development of the Energy Recovery facility due to open in 2011.

Liabilities

Analysis of Movement in Liabilities Held Under PFI Contract				
	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
At 1 April 2009	**14,084**	**4,421**	**7,213**	**25,718**
New Operational Assets	0	6,602	0	6,602
Use of Prepayment Reserve	0	(1,352)	0	(1,352)
Lease Repayment	(291)	(313)	(137)	(741)
At 31 March 2010	**13,793**	**9,358**	**7,076**	**30,227**

The above table includes long term liabilities of £29.394m and short term liabilities of £0.833m as at 31 March 2010; the long term liability being included in the Deferred Liability line in the Balance Sheet and the short term liability included in the Creditors line.

Payments Due under PFI

The Schools and Waste contractual payments are based on a projected annual inflation rate of 2.5%. The Libraries contractual payments are based upon a mix of projected inflation rates: retail price at 2.5%, building maintenance at 4.0% and average earnings at 4.5%.

In March 2010 the council negotiated the removal of "soft services" (i.e. caretaking, cleaning, catering, grounds maintenance) and utilities from the Schools PFI. As a result the amount payable to the Schools PFI Provider has reduced with the schools now directly responsible for the procurement and payment of these services.

The payments due under each PFI contract are detailed below.

Payments Due under PFI Contracts				
Non Operational Assets	Repayment of Liability £'000	Interest Costs £'000	Service Costs £'000	Total £'000
Schools PFI Contract				
Within 1 year	313	1,421	1,111	**2,845**
Within 2 to 5 years	1,498	5,353	4,898	**11,749**
Within 6 to 10 years	2,862	5,685	7,046	**15,593**
Within 11 to 15 years	4,770	3,876	8,078	**16,724**
Within 16 to 20 years	4,350	953	5,335	**10,638**
Within 21 to 23 years	0	0	0	**0**
	13,793	**17,288**	**26,468**	**57,549**
Waste PFI Contract				
Within 1 year	3,195	320	7,438	**10,953**
Within 2 to 5 years	4,525	9,007	30,804	**44,336**
Within 6 to 10 years	7,337	9,816	45,308	**62,461**
Within 11 to 15 years	7,562	7,903	55,348	**70,813**
Within 16 to 20 years	13,094	4,993	62,319	**80,406**
Within 21 to 23 years	9,955	1,123	42,322	**53,400**
	45,668	**33,162**	**243,539**	**322,369**
Library PFI Contract				
Within 1 year	148	595	1,436	**2,179**
Within 2 to 5 years	729	2,245	6,160	**9,134**
Within 6 to 10 years	1,311	2,405	8,734	**12,450**
Within 11 to 15 years	1,979	1,750	10,037	**13,766**
Within 16 to 20 years	2,907	766	10,128	**13,801**
Within 21 to 23 years	0	0	0	**0**
	7,074	**7,761**	**36,495**	**51,330**
Total PFI Contracts				
Within 1 year	3,656	2,336	9,985	**15,977**
Within 2 to 5 years	6,752	16,605	41,862	**65,219**
Within 6 to 10 years	11,510	17,906	61,088	**90,504**
Within 11 to 15 years	14,311	13,529	73,463	**101,303**
Within 16 to 20 years	20,351	6,712	77,782	**104,845**
Within 21 to 23 years	9,955	1,123	42,322	**53,400**
Total	**66,535**	**58,211**	**306,502**	**431,248**

The repayment of liability includes the notional prepayment towards new waste facilities under the Waste PFI contract. Additionally, the service costs include lifecycle payments towards the enhancement and maintenance of PFI assets.

21 Tangible Fixed Assets Valuations

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

Head & Eve. The council requires that all valuers are RICS qualified. For further information regarding the basis of revaluations, please refer to the Statement of Accounting Policies.

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

	Council Dwellings £'000	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
Valued at Historic Cost	0	0	12,443	99,243	10,538	122,224
2005/06	0	112,968	0	0	0	112,968
2006/07	0	130,674	0	0	0	130,674
2007/08	0	126,646	0	0	0	126,646
2008/09	0	356,949	0	0	0	356,949
2009/10	784,604	185,655	0	0	0	970,259
Capital Expenditure	0	38,206	0	0	0	38,206
Total	**784,604**	**951,098**	**12,443**	**99,243**	**10,538**	**1,857,926**

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

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Intangible Fixed Assets £'000	Total £'000
Valued at Historic Cost	0	892	6,085	3,438	10,415
2005/06	36,055	0	0	0	36,055
2006/07	55,986	0	0	0	55,986
2007/08	23,409	0	0	0	23,409
2008/09	28,486	0	0	0	28,486
2009/10	34,781	0	0	0	34,781
Capital Expenditure	417	0	0	0	417
Total	**179,134**	**892**	**6,085**	**3,438**	**189,549**

The capital expenditure line in the above two tables relates to capital expenditure on assets which have not been revalued since the capital expenditure was incurred.

22 Tangible Fixed Assets – Depreciation methods

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

Assets of the same type generally have the same life but there are exceptions for specific assets. Operational buildings are generally valued with a life of either 20 or 50 years in accordance with Royal Institution of Chartered Surveyors (RICS). The asset life of council dwellings is set at 60 years. Asset lives for vehicles, plant and equipment are generally set at five to ten years depending on the nature of the asset and the asset life for Infrastructure assets is normally set at 10 to 20 years.

Asset lives for garages and car parks in respect of the HRA are set at 35 years.

As part of the annual inspection and ongoing management of the council's property portfolio, attention is paid to the impact of obsolescence, physical damage and changes of use which could affect asset values.

23 Changes in the Method of Depreciation

There has been a change to the methods of calculating depreciation for council dwellings in 2009/10. These assets are now depreciated using a straight line allocation over the expected life of the asset which is consistent with other tangible fixed assets.

24 Intangible Assets

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

	Software £'000	Total £'000
Cost or valuation		
At 1 April 2009	**5,569**	**5,569**
Additions	1,287	1,287
At 31 March 2010	**6,856**	**6,856**
Amortisation and impairments		
At 1 April 2009	**(2,593)**	**(2,593)**
Amortisation	(825)	(825)
At 31 March 2010	**(3,418)**	**(3,418)**
Balance Sheet amount at 31 March 2010	**3,438**	**3,438**
Balance Sheet amount at 31 March 2009	**2,976**	**2,976**
Nature of asset holding		
Owned	3,438	3,438
Finance Lease	0	0
PFI	0	0
Balance Sheet amount at 31 March 2010	**3,438**	**3,438**

The asset life for intangible fixed assets is between three and ten years depending on the nature of the asset. The methods used to determine the amount of amortisation are the same as those used for the depreciation of the tangible fixed assets detailed in note 22.

25 Changes in the Method of Amortisation for Intangible Fixed Assets

There has been no changes in the amortisation method used for intangible fixed assets during 2009/10.

26 Analysis of Net Assets Employed

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

	31 March 2009 £'000	31 March 2010 £'000
General Fund	875,693	700,561
Housing Revenue Account	609,312	697,785
Total Assets Less Liabilities	**1,485,005**	**1,398,346**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax, NNDR and Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

27 Interests in Companies

The Sussex Innovation Centre acts as a business incubator and innovation support unit for Sussex and the south east. The council was a minority shareholder in this company but had no control or influence over the centre. The council surrendered to the company its shareholding in 2008/09. The share surrender was conditional upon the university and the company undertaking that the premises and land would not be sold or transferred to a third party, nor a change be made to its usage regarding the purpose for which it was built

without consent of the council and also that there would be no change, amendment or alteration made to the company's objects. Under the surrender agreement the university is obliged, to the year 2034, to indemnify the council, as the accountable body to the South East England Development Agency (SEEDA), for any repayment of grant in the event of a breach of the obligations as set out in the grant determination and terms of the surrender agreement.

The Brighton City Centre Business Forum is a partnership between city centre businesses and the council. The council has a maximum of three representatives on the company's board which can consist of a maximum of 21 people. The council's Chief Executive and two councillors are all directors of the company. The council contributed £39,770 to the forum during 2009/10 (£39,770 in 2008/09), which represents 42% of the total core funding of £94,270.

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

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

The Brighton & Hove Seaside Community Homes Limited is a not for profit charity company set up by the council as a local delivery vehicle to raise investment for improvements to council housing. The company was incorporated in March 2009 but has not yet started trading. The Board membership comprises twelve directors of which the council may nominate up to four councillors to serve as directors.

28 Insurance Reserve

The council's Insurance Reserve covers liabilities under insurance policy excesses and finances any claims for small risks not insured externally. In addition, the council carries a substantial amount of self insurance financed from this reserve. An external actuary reviews the adequacy of the reserve every two years. The actuary provides a valuation of the liabilities and recommends the level of reserve required. The council implements their recommendations.

29 Provisions

Provisions are amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made. The following table shows the level of the council's provisions:

	01 April 2009 £'000	Contribution to Provision £'000	Use of Provision and Write off in Year £'000	31 March 2010 £'000
Maintenance of Graves	(196)	(1)	0	(197)
Single Status Liability Provision	(758)	(1,250)	758	(1,250)
Land Charges Provision	0	(219)	0	(219)
Section 117 Mental Health Act 1983	(245)	0	113	(132)
Total	**(1,199)**	**(1,470)**	**871**	**(1,798)**

Maintenance of Graves

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

Single Status Liability Provision

A provision was created in 2008/09 of £758,000 relating to a potential equal pay liability for amounts that may have been payable to persons who had left the council's employment. Payments of £122,000 were made

during 2009/10 and the remaining balance was credited back to the Income & Expenditure Account as the time limit for claims to be made had now passed.

In March 2009 the council made proactive offers to groups of staff in relation to potential equal pay back pay liabilities and in January 2010 the council implemented the outcome of a Pay & Grading review. The provision relates to potential outstanding liabilities that the council is very likely to incur in relation to these matters. To help establish the potential liability, a legal review was conducted of all outstanding Employment Tribunal and internal grievance claims. This provision is separate to the Single Status earmarked reserve which is to meet potential liabilities that cannot be estimated with any certainty. Details of the Single Status earmarked reserve are included in note 30.

Land Charges Provision

This provision relates to the potential liability for the recovery of personal search fees from local authorities which has been generated by challenges to the legal interpretation of the Environment Information Regulations 2004 in relation to the ability to charge for disclosure of certain pieces of information.

Section 117 Mental Health Act 1983

Following a ruling in August 2002, local authorities were unable to charge for accommodation provided under Section 117 of the Mental Health Act 1983. The council, like many other local authorities, had been charging for a long period of time and this provision has been set up to meet the liabilities of the repayment of these charges. There have been some refunds made during 2009/10. It is not possible to determine when all refunds to clients will be made.

30 Movements on Reserves

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

	Balance as at 1 April 2009 £'000	(Gains)/Losses Transferred to or from Reserves £'000	Net Amount Transferred within Reserves £'000	Balance as at 31 March 2010 £'000
Revaluation Reserve	(177,854)	(52,322)	(9)	(230,185)
Capital Adjustment Account	(1,358,226)	(4,231)	(62,856)	(1,425,313)
Collection Fund Adjustment Account	1,507	0	(4,109)	(2,602)
Usable Capital Receipts Reserve	(91)	0	89	(2)
Financial Instruments Adjustment Account	2,070	0	(309)	1,761
Available-for-Sale Financial Instruments Reserve	(76)	67	0	(9)
Waste PFI Prepayment Reserve	(11,380)	0	(1,273)	(12,653)
Pensions Reserve	138,869	201,098	1,367	341,334
Housing Revenue Account Balance	(3,902)	0	279	(3,623)
General Fund Balance	(9,000)	(57,953)	57,953	(9,000)
Other Reserves (Incl. Earmarked Reserves)	(66,922)	0	8,868	(58,054)
Total	**(1,485,005)**	**86,659**	**0**	**(1,398,346)**

Please note the Opening Balances as at 1 April 2009 for the revaluation reserve, capital adjustment account and other reserves have been adjusted to reflect the changes in the accounting treatment for Private Finance

Initiative (PFI); a new reserve "Waste PFI Prepayment Reserve" has also been created with an opening balance of (£11.380m) to reflect this change.

Please note a new reserve "Collection Fund Adjustment Account" has been created with an opening balance of £1.507m to reflect the changes in accounting treatment relating to Council Tax and NNDR.

Please see note 2 Prior Period Adjustments for more details.

Revaluation Reserve and Capital Adjustment Account

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

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

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

The table below shows the detailed movements on the Capital Adjustment Account:

	2009/10 £'000
Opening Balance as at 1 April 2009	(1,358,226)
Capital Expenditure Financed from Revenue	(4,624)
Capital Expenditure Financed from Capital Receipts	(1,330)
Capital Expenditure Financed from Reserves	(4,262)
Capital Expenditure Financed from Other Contributions	(602)
Revenue Expenditure Funded from Capital under Statute	11,101
Government Grant Deferred Amortisation	(13,598)
Impairment of Fixed Assets	18,196
Partial Reversal of Previous Year's Impairment of Council Dwellings	(90,359)
Depreciation of Fixed Assets	28,730
Depreciation - Transfer from Revaluation Reserve	9
Excess of Depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	3,657
Write out Revaluation Gains for Assets Disposed	(259)
Revaluation Reserve Reconciliation Adjustment	(20)
Adjustment for Historic Adjustment Depreciation	(3,951)
Write out of Disposed Fixed Assets	1,040
Write out of Previous Year's Depreciation for HRA Garages and Car Parking Spaces	(91)
Minimum Revenue Provision	(10,857)
Repayment of Long Term Debtors	46
PFI Valuation Adjustments	87
Total as at 31 March	**(1,425,313)**

The table below shows the detailed movements on the Revaluation Reserve:

	2009/10 £'000
Opening Balance as at 1 April 2009	(177,854)
Revaluation of Fixed Assets	(61,098)
Adjustment for Historic Adjustment Depreciation	3,951
Write out Revaluation Gains for Assets Disposed to Capital Adjustment Account	259
Revaluation Reserve Reconciliation Adjustment written out to Capital Adjustment Account	20
Impairment of Fixed Assets	4,546
Depreciation - Transfer to Capital Adjustment Account	(9)
Total as at 31 March	**(230,185)**

Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve holds the proceeds of fixed assets sales available to meet future capital investment. These capital receipts are held in this reserve until such time they are used to finance capital expenditure.

The table below shows the movement on this reserve:

	2008/09 £'000	2009/10 £'000
Balance at 1 April	**(2,651)**	**(91)**
Capital Receipts in Year	(2,599)	(1,975)
	(5,250)	**(2,066)**
Pooled Receipts	554	719
Applied to fund Capital Expenditure	4605	1330
Transfer to S106 Receipts Unapplied	0	15
Total as at 31 March	**(91)**	**(2)**

The council also receives a number of capital grants and external contributions which are used to fund capital expenditure; these capital grants and contributions are held in unapplied grants and receipts accounts. Note 51 provides details in relation to capital grants and contributions received in year and the level of usage to fund capital expenditure.

Collection Fund Adjustment Account

This adjustment account is used specifically to manage the accounting processes for Council Tax and is therefore not resources available to the council. As payments out of the Collection Fund are controlled by the statutory provisions, the amount that can be credited or debited against the General Fund balance for surpluses/deficits is limited to the 15 January estimate of the share of the Collection Fund balance for the previous year. The Statement of Movement on the General Fund Balance therefore requires a reconciling entry to reverse out of the Income and Expenditure Account the share of the surplus/deficit for the current year and replace them with the share of the January 15 estimate for the previous year. The reconciliation is achieved by use of the Collection Fund Adjustment Account, which absorbs the effect of timing differences between statutory requirements and full accruals accounting.

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

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

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

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

Waste PFI Prepayment Reserve

The Waste PFI prepayment reserve represents the amount included in the unitary charge that the council has modelled as contributing towards the development of the Energy Recovery facility due to open in 2011. This reserve will be used to reduce the council's liability for the facility once it is operational.

Pensions Reserve

The Pensions Reserve is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net charge in the council's recognised liability under FRS 17, Retirement Benefits, for the same period. A transfer is made to or from the Pensions Reserve to ensure that the charge to the General Fund Balance reflects the amount required to be raised in taxation. The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet. Please see note 38 for further information.

Housing Revenue Account

The Housing Revenue Account shows the resources available to meet future running costs for council houses. The HRA financial statements can be found on pages 86 to 92.

General Fund Balance

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

Other Reserves

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

Earmarked Reserves

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

	Balance as at 31 March 2009 £'000	Balance as at 31 March 2010 £'000
Capital Reserves	(11,981)	(6,149)
Departmental Carry Forwards	(736)	(228)
Insurance Reserves	(6,925)	(7,086)
Local Public Service Agreement (LPSA) Reserve	(1,457)	(499)
Local Authority Business Growth Incentive (LABGI) Reserve	(1,044)	(583)
Restructure Redundancy Reserve	(2,736)	(1,784)
Private Finance Initiative (PFI) Reserves	(8,292)	(10,587)
Brighton Centre Redevelopment Reserve	(3,132)	(3,646)
Single Status Reserve	(14,097)	(13,296)
Financing Costs Reserve	(2,881)	(2,085)
Building Schools for the Future Reserve	(1,500)	(2,038)
Other Earmarked Reserves	(3,851)	(4,113)
Total	**(58,632)**	**(52,094)**

The main earmarked reserves are:

Capital Reserves

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

Departmental Carry Forwards

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

Insurance Reserve

This reserve will be used to cover liabilities under policy excesses and to finance any claims for small risks not insured externally. In addition, the council carries a substantial amount of self insurance financed from this reserve. An element of the reserve is used to fund training on risk management to support delivery of the risk management strategy and to fund measures to address operational hazards/risks identified.

Local Public Service Agreement (LPSA) Reserve

This reserve relates to the performance reward grant in relation to LPSA 2 which is carried forward to 2010/11 to spend on specific expenditure areas.

Local Authority Business Growth Incentive (LABGI) Reserve

Generally business rates revenues received by a local authority are paid to central government, and then redistributed to local authorities by formula. LABGI provides an incentive for local authorities to promote economic growth by allowing them to be rewarded for an increase in non-domestic rateable value above a certain level. This reserve holds the amount in relation to the council's LABGI allocation to be carried forward into 2010/11.

Restructure Redundancy Reserve

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

Private Finance Initiative (PFI) Reserves

This relates to schools, waste and library PFI schemes. PFI contract payments increase gradually over the 25 year contract period, whilst PFI grants from the government reduce. This reserve is used to offset the higher annual net costs during the later years of the contracts.

Financing Costs Reserve

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

Building Schools for the Future Reserve

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

Single Status Reserve

The council has set aside a reserve to meet future potential costs relating to equal pay legislation which cannot be estimated with any certainty at the Balance Sheet date.

Brighton Centre Redevelopment Reserve

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

31 Contingent Liabilities and Contingent Assets

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

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

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

General

The council had a number of immaterial general litigious matters which had not been resolved at the Balance Sheet date.

Specific

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

The council has a contingent asset in relation to concessionary bus fares following a successful judicial review which resulted in the fixed determination payment for Brighton & Hove Buses in 2007/08 being quashed. The Department for Transport are re-determining the 2007/08 payment due to Brighton & Hove Buses, subject to the bus companies not being successful in appealing the judicial review outcome, which may produce a payment from Brighton & Hove Buses to the council.

The council has a contingent liability in relation to the Waste PFI contract extension. In September 2007 the council extended its Joint Integrated Waste Management Services PFI contract with South Downs Waste Services Limited (Veolia) by five years to end in 2033. The council considers that it acted legally and in the interest of council taxpayers. There has been a complaint to the European Commission about compliance with EU procurement rules and as a result the Commission has raised certain issues. The Commission has decided to issue a letter of formal notice to the UK Government setting out its concerns. The UK Government has provided its response to the concerns raised by the Commission. The complaint could take some time to reach a conclusion. It is not possible to assess what the outcome of the complaint will be, nor the financial impact, if any, on the council.

32 Authorisation of Accounts for Issue

These accounts were authorised for issue by the Director of Finance & Resources on 29 June 2010.

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

33 Events after the Balance Sheet Date

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for the future public sector pension increases. Hymans Robertson, the actuary for Brighton & Hove City Council, has estimated that this change will reduce the value of the employer's FRS17 liabilities by around 8% (£69.40m) and the FRS17 balance sheet deficit by around 19% (£64.85m).

34 Trust Funds

The council acts as trustee for various Trust Funds. The balances on these accounts are excluded from the council's Balance Sheet. Further details of these accounts are found in the supplementary statements section on pages 98 to 99.

35 Local Management of Schools (LMS) Reserves

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

	2008/09 Overall Balance £'000	2009/10 Unspent Balance £'000	2009/10 Overspent Balance £'000	2009/10 Overall Balance £'000
Nursery Schools	(6)	(34)	0	(34)
Primary Schools	(1,536)	(2,136)	263	(1,873)
Secondary Schools	(1,168)	(1,119)	346	(773)
Special Schools	48	(127)	240	113
Total	**(2,662)**	**(3,416)**	**849**	**(2,567)**

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.

36 Dedicated Schools Grant

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

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

	2008/09 Total £'000	2009/10 Central Expenditure £'000	2009/10 Individual Schools Budget (ISB) £'000	2009/10 Total £'000
Final DSG	(122,581)	(17,491)	(110,243)	(127,734)
Brought Forward	(1,092)	(1,468)	0	(1,468)
Agreed budgeted distribution	**(123,673)**	**(18,959)**	**(110,243)**	**(129,202)**
Budget adjustments (see note below)	0	33	(33)	0
Revised budget distribution	**(123,673)**	**(18,926)**	**(110,276)**	**(129,202)**
Actual central expenditure	17,560	17,792	0	17,792
Actual ISB deployed to schools	105,897	0	110,276	110,276
Local Authority Contribution	(1,252)	(1,008)	0	(1,008)
Underspend Carried Forward	**(1,468)**	**(2,142)**	**0**	**(2,142)**

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

37 Amounts Due to or from Related Parties

The council's related party transactions have been covered in note 11. This note shows the amounts that are due to or from these related parties. These amounts are also included within the Debtors and Creditors figures on the Balance sheet.

	31 March 2009 £'000	31 March 2010 £'000
Amounts due from Related Parties	15,966	23,017
Amounts due to Related Parties	(8,037)	(14,652)

38 Pension Costs

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

The council participates in two pension schemes as follows:

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

Transactions relating to retirement benefits

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

Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

	2008/09 £'000	2009/10 £'000
Income and Expenditure Account		
Net Cost of Services:		
- Current Service cost	(13,686)	(12,034)
- Past Service Cost	(4,963)	(308)
- Settlements and Curtailments	(416)	(238)
Net Operating Expenditure:		
- Interest Cost	(36,464)	(35,778)
- Expected Return on Assets in the Scheme	31,253	24,806
Net Charge to the Income and Expenditure Account	**(24,276)**	**(23,552)**
Statement of Movement on the General Fund Balance **- Reversal of net charges made for Retirement Benefits in accordance with FRS 17**	**24,276**	**23,552**
Actual amount charged against the General Fund Balance for pensions in the year: **- Employer's Contributions payable to the Scheme**	**(20,317)**	**(22,184)**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £201.098m have been recognised in the Statement of Total Recognised Gains and Losses in 2009/10. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses from the 2002/03 accounting period onwards is £331.088m.

Assets and Liabilities in relation to Retirement Benefits

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

	31 March 2009 £'000	31 March 2010 £'000
1st April	**(523,318)**	**(516,884)**
Current Service Costs	(13,686)	(12,034)
Interest Cost	(36,464)	(35,778)
Contributions by scheme participants	(7,003)	(7,243)
Actuarial gains and (losses)	51,066	(313,746)
Losses (gains) on curtailment	(416)	(238)
Unfunded Benefits paid	1,757	1,835
Benefits paid	16,143	16,953
Past Service Costs	(4,963)	(308)
31st March	**(516,884)**	**(867,443)**

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

	31 March 2009 £'000	31 March 2010 £'000
1st April	**447,076**	**378,015**
Expected rate of return	31,253	24,806
Actuarial gains and (losses)	(109,733)	112,648
Employer contribution as per Actuary Report	17,951	19,205
Adjustment for Actual Employer Contribution	(448)	(700)
Contribution in respect of unfunded benefits as per Actuary Report	1,757	1,835
Adjustment for Actual Contribution in respect of unfunded benefits	1,056	1,845
Contributions by scheme participants	7,003	7,243
Unfunded benefits made	(1,757)	(1,835)
Benefits paid	(16,143)	(16,953)
31st March	**378,015**	**526,109**

The expected return on assets of £24.806m for 2009/10 (£31.253m for 2008/09) was determined by considering the expected returns available on the underlying current investment policy. Expected yields on fixed interest investments were based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £137.454m (£78.789m for 2008/09).

Scheme History

	31 March 2006 £'000	31 March 2007 £'000	31 March 2008 £'000	31 March 2009 £'000	31 March 2010 £'000
Present value of liabilities	(579,670)	(577,940)	(523,318)	(516,884)	(867,443)
Fair Value of Assets in the Local Government Pension Scheme	429,845	462,557	447,076	378,015	526,109
Surplus/(deficit) in the scheme	**(149,825)**	**(115,383)**	**(76,242)**	**(138,869)**	**(341,334)**

The liabilities show the council's long run underlying commitments to pay retirement benefits. The total liability of £867.443m has a substantial impact on the net worth of the council and results in a negative overall balance of £341.334m being recorded in the Balance Sheet after adjusting for actual employer's contributions. Statutory arrangements for funding the pension deficit mean that the financial position of the council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Based on the current benefit structure of the Local Government Pension Scheme (LGPS) and using the roll forward method, the actuarial estimate of the present value of funded liabilities as at 31 March 2010 is £837.439m which includes £501.626m, £126.504m and £209.309m in respect of employee members, deferred pensioners and pensioners respectively. This liability also includes £22m in respect of LGPS unfunded pensions and £9m in respect of Teachers' unfunded pensions.

No allowance has been made in the figures for the liabilities left behind following the liquidation of Sussex Carers Limited on 12 November 2008. Discussions concerning the apportionment of the liability between Brighton & Hove City Council and East Sussex County Council are ongoing. The apportionment of liabilities will be agreed once the options period for the bulk transfer has been concluded; this is expected to be paid in the year 2010/11.

Assuming no material events such as curtailments, settlements, restrictions placed on admitting new entrants to the fund or discontinued participation in the fund, the total contributions expected to be made to the Local Government Pension Scheme by the council for the year to 31 March 2011 will be in the region of £18.797m.

Basis for estimating assets and liabilities

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

Long term expected rate of return on assets in the scheme	31 March 2009	31 March 2010
Equity Investments	7.0%	7.8%
Bonds	5.4%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%

Mortality Assumptions:	31 March 2009	31 March 2010
Longevity at 65 for current pensioners:		
Men	19.6 years	20.8 years
Women	22.5 years	24.1 years
Longevity at 65 for future pensioners:		
Men	20.7 years	22.3 years
Women	23.6 years	25.7 years

	31 March 2009	31 March 2010
Rate of inflation/pension increase rate	3.1%	3.8%
Rate of increase in salaries	4.6%	5.3%
Rate for discounting scheme liabilities	6.9%	5.5%
Expected total return on assets	6.5%	7.1%
Take up of option to convert annual pension in retirement grant	50.0%	*

* Pre April 2008 50.0% and post April 2008 75.0%

Category of assets expressed as a proportion of the total assets held:	31 March 2009	31 March 2009	31 March 2010	31 March 2010
Equity Investments	76.0%	286,491	74.0%	387,693
Bonds	10.0%	37,696	5.0%	26,196
Property	8.0%	30,157	7.0%	36,674
Cash	6.0%	22,618	14.0%	73,347
Total	**100%**	**376,962**	**100%**	**523,910**

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2009/10 can be divided into the following categories, and measured as a percentage of assets and liabilities at 31 March.

	2009/10		2008/09		2007/08		2006/07		2005/06	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on assets	112,648	21.4	(110,042)	(29.2)	(49,302)	(11.0)	219	0	59,974	14.0
Experience gains and (losses) on assets	112,648	21.4	(109,733)	(29.1)	(57,015)	(12.8)	220	0	60,239	14.0
Experience gains and (losses) on liabilities	(1,480)	0.2	(1,822)	0.4	2,091	(0.4)	14	0	23	0

Teachers' Pension Scheme

In 2009/10 the council paid £9.22m to the TPA in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2008/09 were £8.88m and 14.1%.

39 Revenue Activities Net Cash Flow

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

	Year to 31 March 2009 £'000	Year to 31 March 2010 £'000
Income and Expenditure Account (surplus) / deficit for the year	152,414	(57,953)
Non-cash Income and Expenditure Account Items		
Government Grants Deferred Written Down	14,539	13,598
Landfill Usage Allowances	(52)	(41)
LATS Deferred Income	(41)	215
Sussex Innovation Centre Shares Written Down	(718)	0
Long Term Debtors	(14)	2,651
Debt Restructuring (including finance leases)	2,837	97
Transfers to Reserves and Provisions		
Transfer to Pensions Reserve	(3,959)	(1,368)
Provisions set aside in year	(505)	(712)
Transfer to Collection Fund	618	1,124
Accrued Items in the Income and Expenditure Account		
(Increase) / decrease in Revenue Creditors	8,006	10,581
Increase / (decrease) in Revenue Debtors	(16,226)	3,652
Increase / (decrease) in Stocks	183	(27)
Accrued Interest on Long Term Debt	40	0
Capital cash flow activities included in the Income and Expenditure Account		
Net gain / (loss) on Disposal of Fixed Assets	878	891
Revenue Expenditure Funded from Capital	(9,049)	(11,101)
Depreciation of Fixed Assets	(40,294)	(41,739)
Impairment of Fixed Assets	(126,864)	72,163
Finance Lease Consideration	0	(141)
Other Capital Cash Flow Activity	2,215	0
Items in another classification in the cash flow statement		
External Interest Paid	(14,004)	(10,349)
External Interest Received	7,836	669
Revenue Activities Net Cash Flow	**(22,160)**	**(17,790)**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax and NNDR. Please see note 2 Prior Period Adjustments for more details. This adjustment has affected the revenue activities net cash flow by the same amount.

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

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

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

	2008/09 £'000	2009/10 £'000
Opening Net Debt	**(123,127)**	**(142,139)**
Net cash flow	(1,781)	1,041
Net cash inflow / (outflow) from debt financing	44,017	(9,550)
Net cash inflow / (outflow) from management of liquid resources	(60,581)	(14,455)
	(16,564)	(24,005)
Net Cash Flow Movement in Net Debt	**(18,345)**	**(22,964)**
Non Cash Transactions	(667)	30
Total Movement in Net Debt	**(19,012)**	**(22,934)**
Closing Net Debt	**(142,139)**	**(165,073)**

	Bank Overdraft £'000	Short Term Borrowing £'000	Long Term Borrowing £'000	Short Term Investments £'000	Long Term Investments £'000	Totals £'000
Opening Net Debt	**(3,780)**	**(335)**	**(195,379)**	**54,728**	**2,627**	**(142,139)**
Cashflows						
(Decrease)/Increase in Cash in the period	1,041	0	0	0	0	1,041
Cash Inflow from increase in debt financing:						
- Repayments of Amounts Borrowed	0	185,950	0	0	0	185,950
- New Loans Raised	0	(180,500)	(15,000)	0	0	(195,500)
Cash Outflow from decrease in liquid resources	0	0	0	(14,455)	0	(14,455)
	1,041	**5,450**	**(15,000)**	**(14,455)**	**0**	**(22,964)**
Non Cash Transactions						
Debt Restructuring - Adjustment to Carrying Amounts	0	(423)	331	189	0	97
Transfer to Financial Instruments Adjustment Account	0	0	0	(67)	0	(67)
	0	**(423)**	**331**	**122**	**0**	**30**
Other Movements	0	(48,405)	48,405	2,627	(2,627)	0
Movement in Net Debt in Period	**1,041**	**(43,378)**	**33,736**	**(11,706)**	**(2,627)**	**(22,934)**
Closing Net Debt	**(2,739)**	**(43,713)**	**(161,643)**	**43,022**	**0**	**(165,073)**

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

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

41 Analysis of Government Grants

The table below shows the government grants received by the council in 2009/10 as shown in the Income and Expenditure Account and the Cash Flow Statement:

	Income and Expenditure Account £'000	Adjustment for Accruals £'000	Cash Flow Statement £'000
Department for Children, Schools and Families	(160,581)	915	(159,666)
Communities and Local Government	(141,259)	(585)	(141,844)
Department for Work and Pensions	(178,092)	1,416	(176,676)
Department for Transport	(2,212)	(72)	(2,284)
Department of Health	(1,835)	138	(1,697)
Home Office	(1,476)	251	(1,225)
Department for Business, Innovation and Skills	(1,487)	330	(1,157)
Other Government Departments	(2,184)	1	(2,183)
Total	**(489,126)**	**2,394**	**(486,732)**

42 Financial Assets and Liabilities – Financial Instruments

Financial Instruments – Balances

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

	Long Term		Current	
	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2010 £'000
Financial Liabilities at Amortised Cost	(195,379)	(161,643)	(4,115)	(46,452)
Total Borrowings	**(195,379)**	**(161,643)**	**(4,115)**	**(46,452)**
Loans and Receivables	2,627	0	30,659	9,533
Available-for-Sale Financial Assets	0	0	24,069	33,489
Total Investments	**2,627**	**0**	**54,728**	**43,022**

To counter the increased risk to the council's investment portfolio the Director of Finance & Resources continued the programme of debt repayment into the early part of 2009/10.

The council repaid £30.1m of long term debt during 2009/10 and also experienced a cash flow deficit of £24.0m. This repayment of debt and cash flow deficit were funded by a combination of new borrowing (£15.0m), short term cash flow borrowing (£24.7m) and a reduction in investments (£14.4m).

Financial Instruments – Gains / Losses

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

	Financial Liabilities	Financial Assets		2009/10 Totals
	Measured at Amortised £'000	Loans and Receivables £'000	Available-for-Sale Assets £'000	£'000
Interest Expense	8,368	0	0	8,368
Interest Payable and Similar Charges	**8,368**	**0**	**0**	**8,368**
Interest Income	0	(706)	(894)	(1,600)
Interest and Investment Income	**0**	**(706)**	**(894)**	**(1,600)**
Losses on Revaluation	0	0	67	
Deficit Arising on Revaluation of Financial Assets	**0**	**0**	**67**	
Gain on Derecognition	(5)	0	0	
Net (Gain) / Loss for the year	**8,363**	**(706)**	**(827)**	

The council has appointed external cash managers to administer part of the council's investment portfolio. The manager invests in specialist markets such as gilts, certificates of deposit and other negotiable instruments. The loss on revaluation of £0.067m represents the price depreciation of investments not realised as at 31 March 2010.

The gain on de-recognition represents the difference between the value of the carrying amount derecognised and the original principal borrowed on the loans repaid in 2009/10.

Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

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

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

The fair values calculated are as follows:

Financial liabilities

	31 March 2009		31 March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Borrowing	(148,645)	(169,023)	(134,582)	(146,899)
Market Borrowing	(46,734)	(49,622)	(70,439)	(71,302)
Bank Overdraft	(3,780)	(3,780)	(2,739)	(2,739)
Other	(335)	(335)	(335)	(335)
Total Borrowing	**(199,494)**	**(222,760)**	**(208,095)**	**(221,275)**
Creditors	(69,103)	(69,103)	(54,463)	(54,463)
Total Financial Liabilities	**(268,597)**	**(291,863)**	**(262,558)**	**(275,738)**

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

Financial Assets

	31 March 2009		31 March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	33,286	33,413	9,535	9,535
Available-for-Sale	24,069	24,069	33,487	33,487
Debtors	46,051	46,051	49,631	49,631
Total Loans and Receivables	**103,406**	**103,533**	**92,653**	**92,653**

With the exception of the PFI long term debtor (£12.6m) all financial assets are short term at 31st March 2010; therefore the fair value of investments is equal to the carrying amount

Financial Instruments – Soft Loans

Councils will sometimes make loans at less than market rates, where a service objective would justify the council making a concession. Examples include loans to lower-tier councils and voluntary organisations (to facilitate the council's own responsibilities for service provision), to local businesses (to encourage economic development), or to employees (perhaps as part of a relocation package). The 2009 SORP requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time.

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

	2008/09 £'000	2009/10 £'000
Mortgage Advances	83	69
Improvement Loans	44	43
Loans to Housing Associations	142	141
Loans to Employees	118	139
Service Charge Loans to Leaseholders – Right to Buy	252	250
Total	**639**	**642**

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

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

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

Overall procedures for managing risk

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

Overall these procedures require the council to manage risk in the following ways:

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

These procedures are required to be reported and approved at or before the council's annual budget meeting at which the Council Tax is set. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. This strategy can be found on the council's website. The strategy was approved at Cabinet on 12 March 2009. Actual performance is also reported annually to members.

The key issues within the strategy were:

- the Authorised Limit for 2009/10 was set at £317m. This is the maximum limit of external borrowings and other long term liabilities
- the Operational Boundary was expected to be £294m. This is the expected level of debt and other long term liabilities during the year.
- the maximum amounts of fixed and variable interest rate exposure based on the council's gross debt were set at 100% and 55% respectively.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements set out in the council's Annual Investment Strategy (AIS). Additional selection criteria are also applied before an investment is made. The AIS was approved at Full Council on 19 March 2009 and a copy of the strategy can be found on the council's website.

The minimum criteria set out in the AIS for investment counterparties were:

- major banks and building societies to have a short-term rating that indicates the highest credit quality;
- building societies to have an asset base in excess of £3 billion;
- money market funds to have a rating equal to "AAA" (triple A).

Investment counterparties also included other local authorities and Government institutions. All investments were subject to a maximum period dependent upon their credit rating.

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

	Amount at 31 March 2010 £'000	Historical Experience of Default	Adjustment for Market Conditions at 31 March 2010	Estimated Maximum Exposure to Default £'000
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial				
AAA rated counterparties	33,477	0.00%	0.00%	0
AA rated counterparties	5,007	0.03%	0.03%	2
A rated counterparties	4,401	0.08%	0.08%	4
Debtors	49,631	6.52%	6.52%	3,236
Total	**92,516**			**3,242**

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

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

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

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

	31 March 2009 £'000	31 March 2010 £'000
Less than 1 year	(336)	(40,194)
Between 1 and 2 years	0	(6,000)
Between 2 and 5 years	(6,000)	0
Between 5 and 10 years	(2,023)	(4,092)
Between 10 and 15 years	(16,661)	(40,127)
More than 15 years	(171,211)	(115,527)
	(196,231)	**(205,940)**

The maturity analysis of financial assets is as follows:

	31 March 2009 £'000	31 March 2010 £'000
Less than 1 year	53,893	42,885
More than 1 year	2,500	0
	56,393	**42,885**

The above profiles are based on the original principal borrowed or lent and not the amortised or carrying amount. Trade debtors and all trade and other payables due to be paid in less than one year are not shown in the table above.

Market Risk

a) Interest rate risk

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

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

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

At 31 March 2010 the council had no borrowings or investments subject to variable interest rates. A 1% rise in interest rates would therefore have no impact on the interest expense debited, or interest income credited, to the Income and Expenditure Account. The impact of a 1% rise in interest rates on fair value would be a decrease of £24.101m for borrowings and no impact on the fair value of investments, as investments are all for less than one year.

A 1% fall in interest rates would have an opposite impact with an increase in fair value of borrowings of £31.667m and no impact on the fair value of investments, as investments are all for less than one year.

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

b) Price risk

The council does not invest in equity shares.

c) Foreign exchange risk

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

43 Debtors

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

	31 March 2009 £'000	31 March 2010 £'000
Trade Debtors		
Employee Related	376	32
Rents - Commercial	1,871	751
Rents – Housing	2,243	2,169
Payments in Advance	5,098	4,394
Other Trade Debtors	26,051	28,059
	35,639	**35,405**
Other Debtors		
Government Grants	4,100	4,071
Other Government Debtors	11,511	12,959
National Non Domestic Rates	2,003	5,988
Collection Fund	16,097	14,352
Private Finance Initiative (PFI)	1,352	0
Other Debtors	343	1,160
	35,406	**38,530**
Total Debtors	**71,045**	**73,935**
Provision for Doubtful Debt (NNDR)	(152)	(143)
Impairment of Financial Assets	(24,417)	(23,454)
Total	**46,476**	**50,338**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax, NNDR and Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

44 Creditors

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

	31 March 2009 £'000	31 March 2010 £'000
Trade Creditors		
Employee Related	(10,852)	(9,956)
Interest	(16)	0
Purchase of Fixed Assets	(7,176)	(6,645)
Receipts in Advance	(6,890)	(4,939)
Other Trade Creditors	(38,006)	(27,246)
	(62,940)	**(48,786)**
Other Creditors		
Government Grants	(4,191)	(9,949)
Other Government Creditors	(3,846)	(4,412)
National Non Domestic Rates	(203)	(282)
Collection Fund	(3,280)	(3,270)
Private Finance Initiative (PFI)	(741)	(833)
Other Creditors	(2,317)	(1,320)
	(14,578)	**(20,066)**
Total	**(77,518)**	**(68,852)**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax, NNDR and Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

Voluntary Disclosures

45 On Street Parking Surplus

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

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

	2008/09 £'000	2009/10 £'000
On Street Parking Operation Surplus	(7,409)	(7,641)
Utilised to Fund:		
Public Transport	7,202	8,395
Borrowing Costs for Transport Capital Expenditure	3,024	3,264
Total Qualifying Expenditure	**10,226**	**11,659**

46 Long Term Debtors

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

	31 March 2009 £'000	31 March 2010 £'000
Mortgages – Sold Council Properties	75	66
Mortgages – Other	8	3
Improvement Loans	44	43
Housing Association Loans	142	141
Car Loans	118	139
Deferred Debtors	252	250
PFI Prepayments	10,028	12,652
Total	**10,667**	**13,294**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Private Finance Initiatives (PFI). Please see note 2 Prior Period Adjustments for more details.

47 Stocks and Work in Progress

The value of stocks held by the council as at 31 March is shown in the following table. The council has no work in progress in relation to revenue expenditure.

	31 March 2009 £'000	31 March 2010 £'000
Stocks	981	954
Total	**981**	**954**

48 Deferred Credits

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

	Balance as at 31 March 2009 £'000	Balance as at 31 March 2010 £'000
General Fund	(142)	(141)
Housing Revenue Account	(75)	(66)
Total	**(217)**	**(207)**

49 Publicity

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

	2008/09 £	2009/10 £
Recruitment Advertising	787,439	538,200
Housing Issues - General Fund	1,596	21,003
Housing Issues - HRA	4,808	16,152
Public Transport Issues	153,985	74,122
Projects & Venues	266,497	288,758
Tourism	128,737	235,290
Social Care - Children	53,188	59,751
Waste Collection (including changing collection rounds, kerbside collection/recycling)	139,260	75,290
Other Publicity and Marketing	325,463	425,468
Total	**1,860,973**	**1,734,034**

50 Landfill Allowance Trading Scheme (LATS)

In order to reduce the amount of biodegradable waste (for example, kitchen and garden waste, paper and card) going to landfill, the government has issued tradable landfill allowances to waste disposal authorities to allow them to landfill a reducing number of tonnes for each year from 2005/06 to 2019/20. The allowances are reflected at fair value and are subsequently revalued each financial year. The fair value of the asset can be reliably measured by using evidence of the market value of the same or similar assets. The council has valued the allowances for 2009/10 at £15.95 each. The council's allocation for 2009/10 was 44,968 tonnes, valued at £0.717m based on trading activities between councils. An estimated 31,453 tonnes were actually landfilled (£0.502m), leaving 13,515 (£0.216m) surplus allowances in 2009/10. These surplus permits cannot be carried forward to be used in future years as 2009/10 is a target year under the scheme. However, the council is able to trade these surplus permits with other councils up to 30th September 2010. Authorities which landfill more than their permitted allowance can either purchase additional allowances from other waste disposal authorities or pay to the government a financial penalty of £150 per tonne.

The council has been required to write off its surplus of 2008/09 permits, which has reduced the value of the earmarked reserve by £0.026m. This reserve is included within the other Earmarked Reserves line on note 30.

Please note the 2008/09 comparative figures shown in the Balance Sheet are overstated due to the incorrect treatment in the 2008/09 accounts of the assets, liabilities and reserve which should have been fully written out and replaced with the restated assets, liabilities and reserve as at 31 March 2009. An adjustment of £1.767m has been in 2009/10 to correct this treatment.

51 Capital Grants and External Contributions

The council receives a number of capital grants and external contributions which are used to fund capital expenditure.

The table below shows capital grants and external contributions received in year and how they have been utilised in year.

	2008/09 £'000	2009/10 £'000
Balance as at 1 April	**(8,103)**	**(5,686)**
Capital Grants and External Contributions Received	(17,227)	(35,589)
	(25,330)	**(41,275)**
Applied to Fund Capital Expenditure	14,650	36,996
Reversal of LAAP 73 adjustment for Government Grants Deferred	4,754	0
Developer Contributions Released to Revenue	240	171
Total as at 31 March	**(5,686)**	**(4,108)**
Nature of Grant / Contribution		
Government Grants Unapplied	(2,155)	(550)
Section 106 Receipts Unapplied	(3,531)	(3,558)
Total as at 31 March	**(5,686)**	**(4,108)**

52 Minimum Revenue Provision

The council is required by statute to set aside a prudent sum for the repayment of debt (MRP). Guidance issued by the Secretary of State requires Full Council to approve an annual statement on the amount of debt that will be repaid in a financial year. The following statement was approved by Budget Council on 26 February 2009 and subsequently amended at Budget Council on 25 February 2010 and relates to the 2009/10 accounting period:

- For debt where the government provides revenue support the council will set aside a sum of 4% of the notional debt relating to capital investment, but excluding capital investment on the HRA housing stock (known as the non-HRA capital financing requirement),
- For debt where the government provides no revenue support:
  - where the debt relates to an asset the council will set aside a sum equivalent to repaying debt over the life of that asset in equal annual instalments, or
  - where the debt relates to expenditure which is subject to a capitalisation direction issued by the Government the council will set aside a sum equivalent to repaying debt over a period consistent with the nature of the expenditure under the annuity basis, or
  - if it is subsequently decided that council borrowing is used to fund the housing Local Delivery Vehicle (LDV) then the council will set aside a sum equivalent to the amount payable by the LDV under any loan agreement between the council and the LDV.
- In the case of finance leases and on-balance sheet PFI contracts the MRP requirement will be regarded as met by a charge equal to the element of the lease payment or unitary charge that is applied to write down the balance sheet liability in the year (including any retrospective adjustments as required under IFRS).

The table below shows the amount set aside from revenue:

	2008/09 £'000	2009/10 £'000
General Fund – 'supported debt' : i.e. 4% of notional debt relating to capital investment	5,827	6,583
General Fund – 'unsupported debt' : i.e. repayment over life of asset	1,344	2,181
General Fund - Charge equal to write down on PFI liabilities	1,380	2,093
Total Amount Set Aside from Revenue	**8,551**	**10,857**
Amount Charged by way of Depreciation and Government Grants Written Down excluding HRA	12,403	15,180
Adjustment to the Income and Expenditure Account	(3,852)	(4,323)
Minimum Revenue Provision	**8,551**	**10,857**

Please note the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Private Finance Initiative (PFI); see note 2 Prior Period Adjustment for more details.

53 Significant Estimates

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

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

Details of the calculation of depreciation and impairment of financial assets are included in the Statement of Accounting Policies.

Brighton & Hove City Council

Single Entity
Supplementary Statements
2009/10

Housing Revenue Account Income and Expenditure Account

Year Ended 31 March 2009 £'000		Year Ended 31 March 2010 £'000
	Income	
	Gross Rental Income	
(40,541)	Dwellings Rents	(41,171)
(1,225)	Non-dwelling Rents	(1,227)
(3,595)	Charges for Services and Facilities	(3,804)
(8)	Contributions Towards Expenditure	0
(45,369)	**Total Income**	**(46,202)**
	Expenditure	
	Repairs, Maintenance and Management	
12,371	Repairs and Maintenance	12,926
14,010	Supervision and Management	13,816
200	Rents, Rates, Taxes and Other Charges	274
2,480	Negative Housing Revenue Account Subsidy Payable	2,886
177	Provision for Bad or Doubtful Debts	176
	Depreciation of Fixed Assets	
12,533	On Dwellings	12,815
194	On Other Assets	181
37	Debt Management Expenses	42
112,096	Impairment of Fixed Assets	957
0	Reversal of Previous Year's Impairment of Fixed Assets	(90,359)
154,098	**Total Expenditure**	**(46,286)**
108,729	**Net Cost of HRA Service Per Authority Income and Expenditure Account**	**(92,488)**
222	HRA Share of Corporate & Democratic Core	222
108,951	**Net Cost of HRA Service**	**(92,266)**
(311)	(Gains) / Losses on Disposal of HRA Fixed Assets	(440)
4,330	Interest Payable and Similar Charges	3,265
(241)	Interest and Investment Income	(135)
228	Pensions Interest Costs and Expected Return on Pension Assets	493
112,957	**(Surplus) / Deficit for the year on the HRA Service**	**(89,083)**

Please note the negative expenditure in 2009/10 and the significant movement between years relates to the impairment and subsequent reversal of council dwellings. The 2008/09 asset valuation report reflected a substantial reduction in the value of council dwellings calculated at 20% of the total value, the corresponding report for 2009/10 indicates a partial recovery of values with an upward valuation of £90.359 million which is an increase of around 13%, for accounting purposes this has been treated as a reversal of the previous impairment.

Statement of Movement on the Housing Revenue Account Balance

2008/09 £'000		2009/10 £'000
112,957	(Surplus) / deficit for the year on the HRA Income and Expenditure Account	(89,083)
(111,209)	Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year.	89,362
1,748	**(Increase) / decrease in the Housing Revenue Account Balance**	**279**
(5,650)	Housing Revenue Account Surplus brought forward	(3,902)
(3,902)	**Housing Revenue Account Surplus carried forward**	**(3,623)**

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

2008/09 £'000		2009/10 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
0	Reversal of Impairment of Fixed Assets	90,359
(112,096)	In year Impairment of Fixed Assets	(957)
0	Write out of Depreciation	13
43	Government Grants Deferred Amortisation	35
311	Gains / (Losses) on Disposal of Fixed Assets	440
(61)	Net charges for retirement benefits in accordance with FRS 17	(202)
530	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	273
(111,273)		**89,961**
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
(3,660)	Transfer to Major Repairs Reserve	(3,657)
0	Transfer to Earmarked Reserves	(332)
2,338	Capital Expenditure Funded by HRA	3,390
1,386	Transfer from HRA Working Balance	0
64		**(599)**
(111,209)	**Net Additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**89,362**

Notes to the Housing Revenue Account (HRA)

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

1 Housing Stock

The council was responsible for managing 12,304 dwellings at 31 March 2010. The stock was made up as follows:

	0 Bed	1 Bed	2 Bed	3 Bed	4+ Bed	Total
Bedsits	823	0	0	0	0	823
Bungalows	26	173	34	22	1	256
Flats	0	3,562	3,008	206	0	6,776
Houses	0	12	1,572	2,432	261	4,277
Maisonettes	0	0	103	63	6	172
Total	**849**	**3,747**	**4,717**	**2,723**	**268**	**12,304**

The change in stock can be summarised as follows:

	2008/09 £'000	2009/10 £'000
Stock at 1 April	12,322	12,315
Sales	(7)	(10)
Conversions	0	(1)
Stock at 31 March	**12,315**	**12,304**

The Balance Sheet values of the HRA assets are as follows:

Movements in Year HRA Fixed Assets						
Operational Assets	**Council Dwellings £'000**	**Land & Buildings £'000**	**Vehicles, Plant, Furniture & Equipment £'000**	**Investment Properties £'000**	**Intangible Assets £'000**	**Total £'000**
Cost or valuation						
At 1 April 2009	**704,102**	**9,399**	**630**	**5,849**	**84**	**720,064**
Additions	16,578	167	0	0	78	16,823
Disposals	(538)	(88)	0	0	0	(626)
Reclassifications	0	(364)	0	364	0	0
Impairments	(558)	(131)	0	0	0	(689)
Reversal of past impairment losses written back in period	77,835	0	0	0	0	77,835
Revaluations	0	(645)	0	944	0	299
At 31 March 2010	**797,419**	**8,338**	**630**	**7,157**	**162**	**813,706**
Depreciation and impairments						
At 1 April 2009	**(12,533)**	**(317)**	**(493)**	**0**	**(3)**	**(13,346)**
Depreciation	(12,815)	(134)	(43)	0	(17)	(13,009)
Disposals	9	0	0	0	0	9
Reclassifications	0	149	0	(149)	0	0
Impairments	0	(126)	0	(141)	0	(267)
Revaluations	12,524	143	0	0	0	12,667
At 31 March 2010	**(12,815)**	**(285)**	**(536)**	**(290)**	**(20)**	**(13,946)**
Balance Sheet amount at 31 March 2010	**784,604**	**8,053**	**94**	**6,867**	**142**	**799,760**
Balance Sheet amount at 31 March 2009	**691,569**	**9,082**	**137**	**5,849**	**81**	**706,718**

Impairments resulting from formal revaluations are recorded in the Cost or valuation section of the above table. Other impairments not been measured as part of a formal revaluation are shown in the depreciation and impairments section of the table and treated as accelerated depreciation. This preserves the integrity of the disclosure which is intended to distinguish cost/valuation from accumulated depreciation. The opening balances have been adjusted to take account of this change in presentation.

Following the impairment of council dwellings during 2008/09, and due to significant changes in values during 2009/10, the council's housing stock was revalued by Wilks Head & Eve as at 31 March 2010. The value at 31 March 2010 shows an increase of £93.035m, £77m of which relates to upward revaluations of dwellings reflecting the increases in council property values for Brighton & Hove. The remaining increase is due to capital enhancements net of Right to Buy sales.

Other land and buildings values have decreased by £1.029m during this period mainly due to a reduction in the value of garages and car parking spaces following a review of the level of voids considered in the revaluation exercise.

The vacant possession value for the dwellings in the HRA as at 1st April 2009 was £1,582.4m as valued by the valuer Wilks Head & Eve, compared with the value of £784.6m for its existing use as social housing. The difference of £797.8m represents the cost to the government of providing council housing at less than open market rents

2 Major Repairs Reserve

The movements on the Major Repairs Reserve in 2009/10 were as follows:

	2009/10 £'000
Balance as at 1 April 2009	**0**
Depreciation on Housing Stock	(12,815)
Depreciation on Other HRA Property	(181)
Total	**(12,996)**
Contributions to Capital Expenditure on Housing Stock (Major Repairs Allowance)	9,352
Appropriation to the HRA (Depreciation in excess of Major Repairs Allowance on Housing Stock)	3,463
Appropriation to the HRA (Depreciation on Other HRA Property)	181
Balance as at 31 March 2010	**0**

3 Housing Repairs Account

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

The HRA Manual issued by Communities & Local Government (CLG) states a Housing Repairs Account is a discretionary account within the HRA and constitutes a separate record of income and expenditure on HRA repairs and maintenance. Some local authorities find a separate account assists the planning of major or cyclical works.

4 HRA Capital Expenditure and Financing

The following table summarises the capital expenditure incurred in 2009/10 and how it was financed:

	2008/09 Total £'000	Land, Housing and Other Property £'000	ICT Equipment £'000	2009/10 Total £'000
Capital Expenditure	14,541	16,742	78	16,820
Total Capital Expenditure	**14,541**	**16,742**	**78**	**16,820**
Funded by:				
Supported Capital Expenditure (Revenue)	3,136	4,000	78	4,078
Major Repairs Allowance/Reserve	9,067	9,352	0	9,352
Direct Revenue Funding	2,338	3,390	0	3,390
Total Funding	**14,541**	**16,742**	**78**	**16,820**

The table below shows a summary of total capital receipts from disposals:

	2008/09 £'000	2009/10 £'000
Right to Buy Sales of Houses and Flats	689	945
Mortgages Repayments	18	14
Total	**707**	**959**

5 Revenue Expenditure Funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet. Revenue Expenditure Funded from Capital usually relates to grants and to expenditure on assets not owned by the council. The HRA has no Revenue Expenditure Funded from Capital under Statute for 2009/10.

6 Depreciation and Amortisation Charges for Fixed Assets

The HRA is charged with depreciation to reflect the consumption of HRA assets over their useful life (Housing Stock £12.815m; other property £0.194m including £0.013m write out of depreciation). The method of calculation of depreciation relating to council dwellings has been changed this year; it is now based on straight line depreciation which is consistent with the other classes of tangible fixed assets held by the council.

Of the charge of £12.815m relating to housing stock, £9.352m was funded from the Major Repairs Allowance, which forms part of the HRA subsidy paid to the council by the government. The balance of £3.463m is appropriated to the Major Repairs reserve, and is a notional figure which has no impact on tenants' rents. The charge of £0.194m (including £0.013m write out of depreciation) relating to other property is also appropriated to the Major Repairs Reserve.

The table below shows the depreciation charged on HRA assets:

	2008/09 £'000	2009/10 £'000
Intangible Fixed Assets		
ICT Software	3	17
Operational Assets		
Council Dwellings	12,533	12,815
Other Land and Buildings	148	121
Vehicles, Plant, Furniture and Equipment	43	43
Total Depreciation	**12,727**	**12,996**

7 Impairment

During 2009/10 the valuer has assessed that there should be a reduction in value for some council dwellings resulting in an impairment of £0.559m; please note this includes £0.285m relating to three properties which were taken out of commission and converted into two new units. The 2008/09 asset valuation report reflected a substantial reduction in the value of council dwellings calculated at 20% of the total value, the corresponding report for 2009/10 indicates a partial recovery of values with an upward valuation of £90.359 million which is an increase of around 13%, for accounting purposes this has been treated as a reversal of the previous impairment.

The impairment charge relating to Other Land and Buildings was £1.009m. This relates to the values for Garages and Car Parking Spaces. It should be noted that only £0.131m was posted to the Income and Expenditure Account and £0.878m netted off against the amount held in the Revaluation Reserve for previous revaluation gains on these assets in accordance with accounting practices.

The total amount charged to the HRA Income and Expenditure Account is reversed out in the Statement of Movement on the HRA Balance as no consumption of economic benefits has occurred.

The table below shows the impairments of HRA assets:

	2008/09 £'000	2009/10 £'000
Reduction in value of Council Dwellings	111,648	274
Reduction in value of Investment Property	0	61
Reduction in value Other Land Buildings	448	131
Write out of Fixed Assets from HRA Asset Register	0	491
Total Impairment charged to the Income and Expenditure Account	**112,096**	**957**
Reduction in value Other Land Buildings	0	878
Total netted off against previous revaluation gains	**0**	**878**
Total Impairment	**112,096**	**1,835**

8 HRA Share of Contributions to Pensions Reserve

In accordance with FRS 17 the HRA Income and Expenditure Account includes £202,000, for its share of the contribution from the pensions reserve. The costs calculated by the pensions actuary include current service cost, interest on pension liability, and expected return on assets. The HRA share is calculated by apportioning costs based on employers contributions charged to the HRA for the year. In accordance with proper accounting practice, the contribution is then removed by crediting the Statement of Movement on the HRA Balance to ensure the HRA is only charged with pension fund contributions payable for the year.

9 Rent Arrears

At 31 March 2010, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £1,627,097 (2009 £2,016,740). This represents a reduction in arrears as a proportion of gross rental income from 4.47% to 3.87%.

The provision for uncollectable debts is as follows:

	2008/09 £'000	2009/10 £'000
Impairment as at 1 April	**1,549**	**1,470**
Change in Impairment charged to the HRA	177	176
Rent Arrears and other bad debts written off	(256)	(306)
Impairment for Bad Debts as at 31 March	**1,470**	**1,340**

10 HRA Subsidy Payable

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

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

The council entered into negative subsidy in 2008/09 and paid £2.494m (including a £0.014m adjustment in relation to 2007/08). It remained in negative subsidy for 2009/10 and paid £2.886m.

HRA Subsidy Elements	2008/09 £'000	2009/10 £'000
Income		
Rental Income (Notional)	(40,723)	(40,233)
Interest on Receipts	(6)	(4)
Total Housing Element Income	**(40,729)**	**(40,237)**
Expenditure		
Repairs, Maintenance and Management (Notional)	22,164	22,910
Major Repairs Allowance	9,067	9,352
Charges for Capital	7,004	5,089
Total Housing Element Expenditure	**38,235**	**37,351**

Summary	2008/09 £'000	2009/10 £'000
Housing Element Income	(40,729)	(40,237)
Housing Element Expenditure	38,235	37,351
Total HRA Subsidy Due / (Payable)	**(2,494)**	**(2,886)**
Subsidy Adjustment	14	0
Subsidy Outturn	**(2,480)**	**(2,886)**

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

There are no sums directed by the Secretary of State to be debited or credited to the HRA in 2009/10.

12 Exceptional and Prior Year Items

There are no exceptional or prior year items to disclose for 2009/10.

Collection Fund Account

Year Ended 31 March 2009 £'000		Year Ended 31 March 2010 £'000	£'000
	Income		
(155,876)	Income from Council Tax (Note 2)	(162,802)	
21,468	Benefits (Note 2)	23,878	
4	Write back of prepayments	86	
9,712	Allowances (Note 2)	10,097	
14,609	Discounts (Note 2)	15,069	
189	Voids/Bankruptcies (Note 2)	461	
(109,894)			(113,211)
	Transfers from General Fund		
(21,468)	- Council Tax Benefits	(23,878)	
(100)	- Discretionary Rate Relief	(115)	
(21,568)			(23,993)
(96,951)	Income Collectable from Business Rates (Note 3)	(98,847)	
8,760	Allowances	9,347	
1,495	Movement on Provisions	238	
106	Interest on Refunds	83	
(86,590)			(89,179)
	Contribution towards Previous Year's Collection Fund Deficit		
(298)	- Brighton & Hove City Council		(2,515)
(32)	- Sussex Police Authority	(272)	
(19)	- East Sussex Fire Authority	(163)	
			(435)
(218,401)	**Total Income**		**(229,333)**
	Expenditure		
	Precepts and Demands		
111,120	- Brighton & Hove City Council	113,975	
12,014	- Sussex Police Authority	12,464	
7,194	- East Sussex Fire Authority	7,408	
130,328			133,847
	Business Rate		
86,265	- Payment to National Pool	88,865	
425	- Costs of Collection	430	
86,690			89,295
	Bad/Doubtful Debts		
1,015	- Write Offs	939	
530	- Provision for Uncollectable Amounts	430	
1,545			1,369
218,563	**Total Expenditure**		**224,511**
162	**Movement on Fund Balance**		**(4,822)**
1604	Collection Fund Deficit as at 1 April		1,766
162	Movement on Fund Balance		(4,822)
1,766	**Collection Fund (Surplus)/Deficit as at 31 March**		**(3,056)**

Please note the (surplus) / deficit is shown on the Balance Sheet net of the redistribution of Council Tax (surplus) / deficit to the Sussex Police Authority and East Sussex Fire Authority.

Notes to the Collection Fund Account

1 Collection Fund

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund to account for transactions in relation to National Non Domestic Rates, Council Tax and precept demands. The Collection Fund is consolidated with other accounts of the council and has been prepared on an accruals basis.

2 Council Tax

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

The council's tax base was calculated as follows:

Band	Estimated no. of Chargeable Dwellings	Estimated no. of Chargeable Dwellings after Discounts	Band Ratio	Band D Equivalent Dwellings
Band A*	10	8.75	5/9	4.86
Band A	23,990	20,281.10	6/9	13,520.73
Band B	26,318	23,148.00	7/9	18,004.00
Band C	30,439	27,697.30	8/9	24,619.82
Band D	17,755	16,404.45	9/9	16,404.45
Band E	10,418	9,700.75	11/9	11,856.47
Band F	4,248	3,996.35	13/9	5,772.51
Band G	2,468	2,329.30	15/9	3,882.17
Band H	127	116.3	18/9	232.60
				94,297.61
Less provision for losses in collection				(1,785.98)
Tax Base For 2009/10				**92,511.63**
Tax Base For 2008/09				**93,350.27**

* Entitled to disabled relief reduction

The estimated gross Council Tax yield (before the provision for losses in collection) for 2009/10 of £136.432m was based on Band D equivalent dwellings of 94,297.61 multiplied by the average Band D Council Tax charge of £1,446.82. The actual gross Council Tax yield for 2009/10 of £138.140m is equivalent to an increase of 1,181 Band D dwellings. The estimated and actual tax base figures will vary due to a number of factors; these include the effects of banding appeals, new properties and entitlements to exemptions and discounts. The main reason for the increase this year is higher than anticipated new properties being completed in 2009/10.

3 National Non Domestic Rates (NNDR)

The council is responsible for collecting National Non Domestic Rates (NNDR) in Brighton & Hove. The NNDR is charged on the basis of the rateable value for business premises multiplied by a national non-domestic multiplier. The total non-domestic rateable value at 31 March 2010 was £218.756m. The non-domestic multiplier for 2009/10 was 48.5p and the small business non-domestic multiplier was 48.1p. The NNDR charge, less transitional relief, empty property relief, charity relief and successful appeals against the rateable value, is paid into a national pool for redistribution by central government. The amount payable to the national pool for 2009/10 is £88.865m.

The council received £87.416m in 2009/10 from the national non domestic rate pool.

4 Precepting Authorities

The major authorities precepting on the Collection Fund in 2009/10 and their respective amounts were:

	2008/09 £	2009/10 £
Brighton & Hove City Council	111,120,412	113,975,478
Sussex Police Authority	12,014,180	12,464,092
East Sussex Fire Authority	7,193,571	7,408,331

The Brighton & Hove City Council precept includes £27,000 for Rottingdean Parish Council (£27,000 in 2008/09)

5 Contributions to Collection Fund Surpluses and Deficits

The surplus of £3.056m on the Collection Fund as at 31 March 2010 will be distributed in subsequent financial years to Sussex Police Authority, East Sussex Fire Authority and the council in proportion to the value of the respective precept on the Collection Fund.

6 Bad and Doubtful Debts

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

The impairment of financial assets in relation to Council Tax at 31 March 2010 is £10.488m and has been calculated using an aged debt analysis of the arrears outstanding. The amount written off in 2009/10 was £0.939m.

Learning Disability Services Memorandum Account

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

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

	2008/09 £'000	2009/10 £'000
Gross Funding:		
Brighton & Hove City Primary Care Trust	(6,727)	(6,881)
Brighton & Hove City Council	(22,330)	(23,753)
	(29,057)	**(30,634)**
Net Expenditure:		
Sussex Partnership Trust	631	708
Social Care (Brighton & Hove City Council)	28,426	29,926
	29,057	**30,634**
(Surplus)/Deficit	**0**	**0**

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

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

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

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

	2008/09 £'000	2009/10 £'000
Gross Funding:		
Brighton & Hove City Council	(84,929)	(90,872)
South Downs NHS Trust	(7,335)	(7,489)
Brighton & Hove City Teaching Primary Care Trust	(1,987)	(1,277)
	(94,251)	**(99,638)**
Net Expenditure:		
Brighton & Hove City Council	84,929	90,872
South Downs NHS Trust	7,335	7,489
Brighton & Hove City Teaching Primary Care Trust	1,987	1,277
	94,251	**99,638**
(Surplus)/Deficit	**0**	**0**

Trust Fund Accounts

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

Capital Market Value (Note 8) £'000	Net Current Assets (Note 9) £'000	Trust Fund	Revenue Balance 01 April 2009 £'000	2009/10 Expenditure £'000	2009/10 Income £'000	Revenue Balance 31 March 2010 £'000
		Brighton Fund (Note 1)				
889	159	Gifts to the aged poor	(71)	19	(39)	(91)
		Gorham's Gift (Note 2)				
554	31	Distribution and expenses	(15)	43	(47)	(19)
2,605	0	Land and Buildings	0	0	0	0
		Hedgecock Bequest (Note 3)				
558	95	Grants to Charity	(14)	26	(25)	(13)
		Oliver & Johanna Brown (Note 4)				
239	57	Education	(47)	14	(11)	(44)
		Other Trusts				
236	102	Education (Note 5)	(99)	12	(13)	(100)
48	96	Music Trust (Note 6)	(43)	0	(53)	(96)
139	175	Various	(143)	1	(8)	(150)
92	496	**Friends of the Royal Pavilion (Note 7)**	(339)	66	(223)	(496)
5,360	**1,211**	**Total**	**(771)**	**181**	**(419)**	**(1,009)**

Notes to the Trust Fund Accounts

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

2 The Gorham's Gift Trust was set up by a wealthy landowner to help maintain the village of Telscombe and the neighbouring area. Land and buildings for Gorham's Gift are shown at the market valuation as at July 2009.

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

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

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

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

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

8 Capital Market Value shows the valuation of Charities Official Investment Fund (COIF) shares and other investments at the mid market prices as at 31 March 2010.

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

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

Brighton & Hove City Council

Independent Auditor's Report 2009/10

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

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Brighton & Hove City Council, for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Brighton & Hove City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Finance & Resources and auditor

The Director of Finance & Resources' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

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

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

Basis of audit opinion

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

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

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

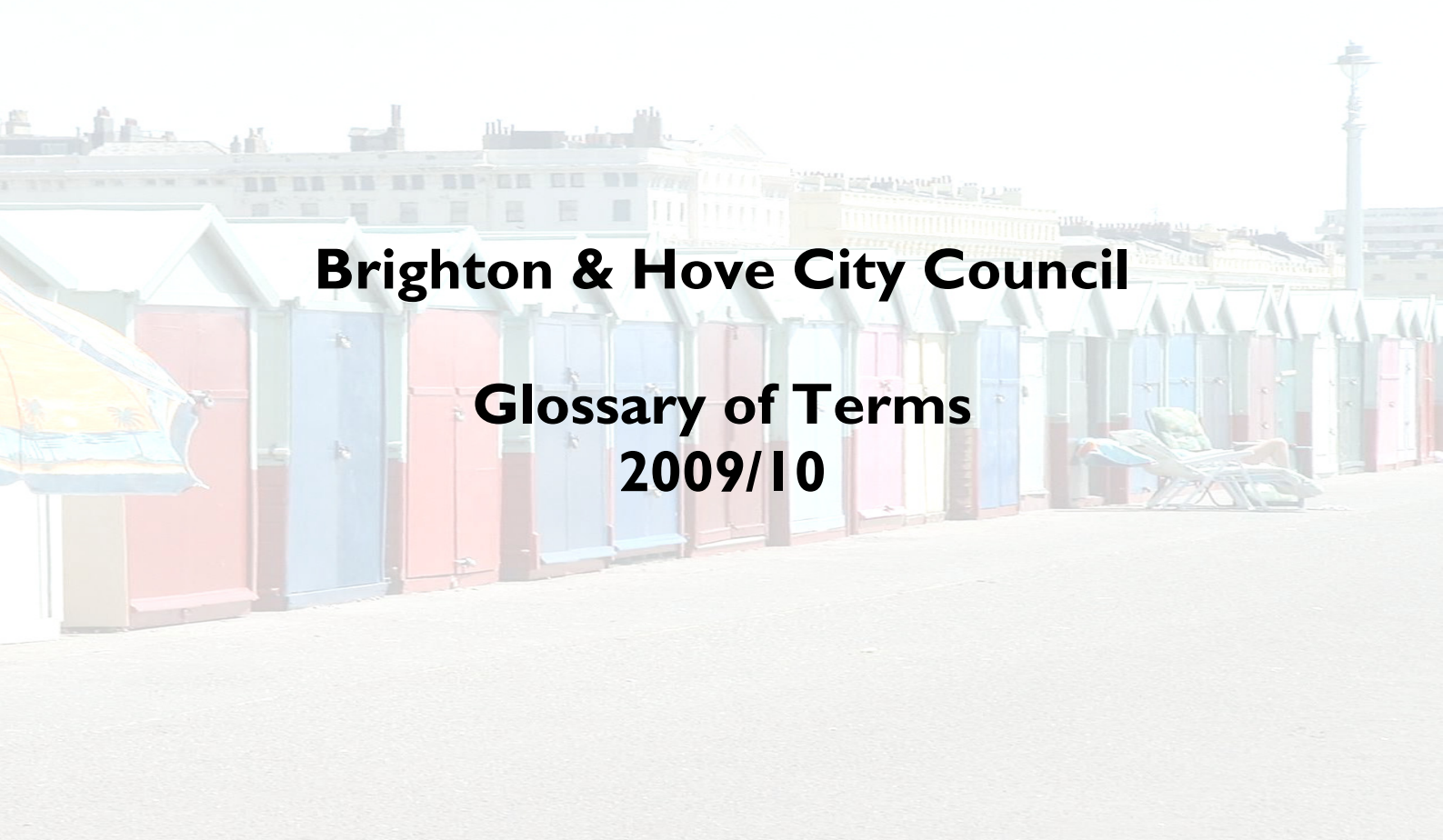
I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Brighton & Hove City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I 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.

Helen Thompson
District Auditor
Audit Commission
Bicentennial House
Southern Gate
Chichester
West Sussex
PO19 8EZ

30 September 2010



Brighton & Hove City Council

Glossary of Terms
2009/10

Accounting Period

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

Accounting Policies

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

Accruals

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

Actuarial Gains and Losses

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

Area Based Grant

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

Asset

An asset is something that the council owns that has a monetary value. Assets are either "current" or "fixed".

Audit of Accounts

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

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

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

Balance Sheet

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

Budget

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

Capital Expenditure

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

Capital Adjustment Account

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

Capital Financing Requirement

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

Capital Programme

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

Capital Receipt

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

Capital Reserves

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

Collection Fund

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

Collection Fund Adjustment Account

This adjustment account is used specifically to manage the accounting processes for Council Tax.

Community Assets

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

Contingent Asset

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

Contingent Liability

A contingent liability is either:

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

Corporate and Democratic Core

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

Creditor

Amounts owed by the council to others for goods and services that have been supplied in the accounting period but not paid for.

Current Asset

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

Current Liability

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

Current Service Cost (Pensions)

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

Curtailment

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

Debtors

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

Deferred Credits

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

Deferred Liability

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

Defined Benefit and Contribution Pension Schemes

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

Depreciation

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

Estimation Techniques

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

Events After The Balance Sheet Date

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

Exceptional Items

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

Expected Rate of Return on Pensions Assets

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

Fair Value

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

Financial Instrument

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

Financial Instrument Adjustment Account

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

Finance Lease

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

Fixed Asset

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

Financial Reporting Standards (FRS)

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

General Fund Balance

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

Government Grants

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

Government Grants Deferred

Grants that have been used to purchase fixed assets.

Housing Benefits

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

Housing Revenue Account (HRA)

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

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards advise the accounting treatment and disclosure requirements of transactions so that the council's accounts present fairly the financial position of the council. IFRS applies to local authorities with effect from 1 April 2010.

IFRIC

Updates to IFRS from the IFRS Interpretations Committee.

Impairment

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

Income and Expenditure Account

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

Infrastructure Assets

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

Intangible Assets

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

Interest Cost (Pensions)

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

Investment Properties

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

Liability

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

Liquid Resources

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

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

Landfill Allowance Trading Scheme (LATS)

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

Lifecycle Payments

The element of the Unitary Charge which reflects expenditure incurred by the PFI Provider in the financial year to enhance, renew and maintain PFI assets.

Local Area Agreement (LAA)

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

Local Authority Business Growth Incentive (LABGI) Reserve

Generally business rates revenues received by a local authority are paid to central government, and then redistributed to local authorities by formula. LABGI provides an incentive for local authorities to promote economic growth by allowing them to be rewarded for an increase in non-domestic rateable value above a certain level. This reserve holds the amount in relation to the council's LABGI allocation to be carried forward into 2009/10.

Local Public Service Agreement (LPSA)

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

Major Repairs Reserve

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

Materiality

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

Minimum Revenue Provision (MRP)

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

National Non Domestic Rates (NNDR)

This is a national scheme for collecting contributions from businesses towards the cost of local government services. Each business has a rateable value. The Government determines how much a business has to pay per £ of rateable value. The money is collected by the council and then passed to central government who reallocate the income to all councils in proportion to their population.

Net Book Value

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

Non Distributed Costs

These are overheads for which no service benefits; for example pensions arising from discretionary added years service.

Non-Operational Assets

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

Operational Assets

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

Past Service Cost (Pensions)

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

Pensions Reserve

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

Pooled Budgets

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

Precept

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

Prior Period Adjustments

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

Private Finance Initiative (PFI)

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

Provision

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

Public Works Loan Board (PWLB)

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

Related Parties

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

Related Party Transaction

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

Reserves

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

Revaluation Reserve

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

Revenue Expenditure Funded from Capital under Statute

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

Revenue Expenditure

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

Revenue Support Grant

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

Settlements (Pensions)

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

SORP

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

Stocks

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

Supported Borrowing

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

Surplus Assets Held for Disposal

These are assets held for resale or redevelopment.

Tangible Fixed Assets

Assets that have a physical substance and which are held for use in the provision of services or for administrative purposes on a continuing basis.

Temporary Borrowing

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

Trust Funds

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

Unitary Charge

The amount payable to the PFI contractor, by the council, for the provision of works and services as defined in each PFI contract

Unsupported Borrowing

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

Usable Capital Receipts Reserve

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

Useful Life

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

Waste PFI Prepayment Reserve

The Waste PFI prepayment reserve represents the amount included in the unitary charge that the council has modelled as contributing towards the development of the Energy Recovery facility due to open in 2011. This reserve will be used to reduce the council's liability for the facility once it is operational.

Work in Progress

The cost of work done on a project which is incomplete as at the Balance Sheet date.

Brighton & Hove City Council

Printed and published by
Brighton & Hove City Council

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

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

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

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