

Brighton & Hove City Council



Statement of Accounts

2002/03

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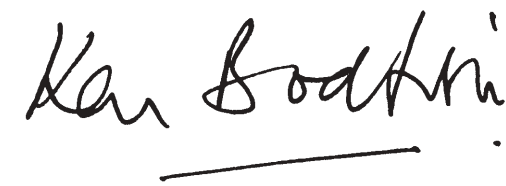
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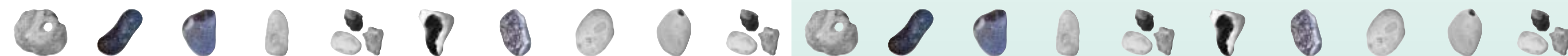
Certification by Chair

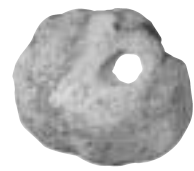
I confirm that these accounts were approved by the Policy & Resources Committee at a meeting held on 17/09/2003.

Signed on behalf of
Brighton & Hove City Council



Ken Bodfish Chair
Date 17/09/2003





Explanatory Foreword

The financial performance for 2002/03 for the activities undertaken by the Council is set out in the Financial Statements on pages 2 to 47 and consists of the following:

Statement of Responsibilities	Consolidated Balance Sheet – which sets out the financial position of the Council as at 31st March 2003.
Statement of Accounting Policies	
Statement on the System of Internal Financial Control	Statement of Total Movement in Reserves
Consolidated Revenue Account – the Council's main revenue account covering income and expenditure on all services.	Trust Funds
Housing Revenue Account Operating Account – which shows income and expenditure on council housing and the change to the working balance.	Collection Fund – which shows receipts of Council Tax, National Non Domestic Rates, payments made to the General Fund and precepts to the Sussex Police Authority.
	Cash Flow Statement – which summarises the total movement of the Council's funds.

Revenue Summary

The Council's net revenue budget for 2002/03 was set at £248.9 million. The net General Fund expenditure for 2002/03 was £247.5 million resulting in an underspending of £1.4 million.

Financing the Budget

	Estimate £'000	Actual £'000	Variance £'000
Expenditure on Services	248,917	247,501*	(1,416)
Funded By			
Revenue Support Grant	(91,701)	(91,701)	0
Redistributed NNDR	(79,958)	(79,958)	0
Redistribution of Collection Fund surplus	(26)	(26)	0
Council Tax	(75,387)	(75,387)	0
(Use of) / contribution to reserves	(1,845)	(429)	1,416

*Excludes £18,375 relating to Rottingdean Parish Council Precept.

The table below summarises the variations by department, as reported to the Policy & Resources Committee on 18th June 2003. (Figures in brackets denote underspendings or income in excess of the Budget).

Departmental Variations	Variance £'000
Adult Social Care	1,235
Children, Families & Schools	859
City Services	(570)
Communications & Democratic Services	(9)
Corporate Services	(568)
Culture & Regeneration	(711)
Environment	(502)
Centrally Managed Budgets	(1,150)
Total	(1,416)

Details of the Council's Expenditure and Income are shown in the Consolidated Revenue Account on pages 9 and 10.

Capital Summary

Despite government restrictions on how much the Council can borrow, the Council has managed to deliver a significant capital

investment programme by working in partnership with a wide range of external bodies and developing successful bids for Government, Lottery and European funding.

Capital expenditure totalled £42.6 million in 2002/03 compared with the latest approved budget of £45.9 million. The underspending of £3.3 million is attributable to slippage, which represents 7.3% of budget. No resources have been lost as a result of the capital investment programme slippage.

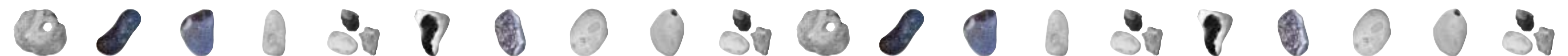
In funding the 2002/03 capital investment programme the Council has managed to utilise all of its annual basic credit approvals (BCA).

Further Information

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

I certify that the accounts present fairly the financial position of Brighton & Hove City Council as at 31st March 2003.

Signed
Chris Taylor Chief Finance Officer



1 Auditors' Report to Brighton & Hove City Council

Audit of Accounts 2002/03

We have audited the financial statements on pages 2 to 47 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 3 to 6.

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

Respective Responsibilities of Chief Finance Officer and Auditors

As described on page 2, the Chief Finance Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

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

We review whether the statement of internal financial control on pages 7 and 8 reflects compliance with the requirements of the 'Statement of Recommended Practice in Local Authority Accounting in the United Kingdom 2002'. We report if the statement does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement covers all risks and controls, or to form an opinion on the effectiveness of the Council's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of opinion

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

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed. The work that we carried out also included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and timing of those payments.

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

Opinion

In our opinion the Statement of Accounts presents fairly the financial position of Brighton & Hove City Council as at 31st March 2003 and its income and expenditure for the year then ended.

Certificate

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



Signed
Darren Wells District Auditor
Date 6/11/2003

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

2 Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2003.

In preparing the Statement of Accounts the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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





Statement of Accounting Policies

1. General

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued in 2002 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of Statements of Recommended Practice (SORPs).

The Accounts have been prepared in accordance with FRS 18. There are no changes to fundamental accounting concepts, therefore there is no effect on the Council's accounting policies.

2. Fixed Assets

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

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

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

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

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

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

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



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

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

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

The Authority has a policy of revaluing its assets on a cyclical basis over 5 years (20% each year). In 2001/02 the Council fully re-valued its housing stock, with further revaluations at April 2002.

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

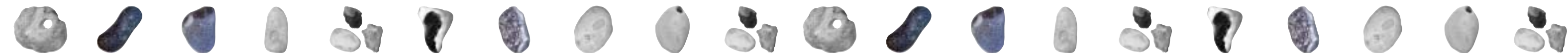
It is a requirement of the 2002 Statement of Recommended Practice that all assets should have been revalued within five years from April 1994. This has not proved possible mainly due to the effects of Local Government Reorganisation. The value of assets not revalued is £3.9 million (this figure does not include Shoreham Airport assets). It is intended that all outstanding valuations will be completed within the next year, i.e. by the end of 2003/04, but not Shoreham Airport assets pending the outcome of the regeneration vision and procurement exercise.

For the 2002/03 accounts, depreciation has been charged on Housing Revenue Account (HRA) assets in accordance with the requirements of HRA Resource Accounting.

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

3. Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created, but which may properly be financed over a period of years. These charges must be written out of the Council's accounts over the period in which the authority benefits and any balance should reflect the continuing value to the Council at the Balance Sheet date. It is the Council's policy to write out of its accounts Deferred Charges in the year during which the Capital Expenditure was incurred unless there is reason to write them out over a longer period.



4. Charging for Capital

Service departments receive a financing charge, which represents depreciation on the assets used by that department and a notional interest charge based on the net book value of the asset. Financing charges have been calculated in accordance with the Local Government and Housing Act 1989. Regulations prescribe the minimum amount of debt repayment to be charged in the revenue accounts as 4% and 2% of net outstanding debt for the General Fund and the Housing Revenue Account respectively.

Further regulations prescribe the amount of interest to be charged to the Housing Revenue Account. For 2002/03 the average rate payable was 5.36%. In addition debt management expenses have been allocated to the Housing Revenue Account at a rate of 0.05%.

5. Capital Receipts

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

Sums available in the Capital Receipts Unapplied Account are available to finance capital expenditure. Interest earned on amounts invested externally is credited to the General Fund Revenue Account. For 2002/03 the average investment rate was 4.28%.

6. Debtors and Creditors

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

7. Stocks and Work in Progress

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

8. Provisions

The Council sets aside provisions in the accounts for liabilities and losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made. The operation of these and other Funds is described in Note 8 to the Consolidated Balance Sheet.

9. Reserves

The Council maintains certain reserves to meet future expenditure not covered by provisions. Reserves may be earmarked for a specific purpose, and can be either Capital or Revenue. Capital Reserves represent amounts earmarked to finance future capital expenditure. The Fixed Asset Restatement Reserve reflects the balance of surpluses and deficits arising from the ongoing revaluations of fixed assets, and the Capital Financing Reserve represents the amounts set aside from capital receipts for the repayment of external loans. The Fixed Asset Restatement Reserve and the Capital Financing Reserve cannot be called on to finance capital schemes. The main Capital and Revenue Reserves are shown in the Statement of Total Movement in Reserves and in Note 12 to the Consolidated Balance Sheet.

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



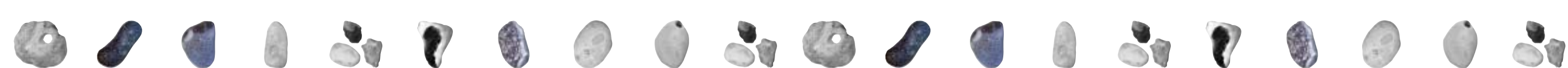
10. Cost of Support Services

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

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

11. Investments

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





Statement on the System of Internal Financial Control

This statement is given in respect of the statement of accounts for Brighton & Hove City Council for the year ended 31st March 2003. As Chief Finance Officer, I have responsibility for ensuring that there are effective arrangements for financial management and that an effective system of internal financial control is maintained and operated in connection with the resources concerned. This is part of good financial governance that supports the achievement of the City Council's objectives.

The system of internal financial control is designed to manage rather than eliminate the risks associated with achieving these objectives. It can only provide reasonable not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, standing orders, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Managers within the City Council have responsibility to establish and maintain internal control systems and ensure resources are properly applied, risks appropriately managed and outcomes achieved. It is the responsibility of internal audit to form an independent opinion on the adequacy and effectiveness of the system of internal financial control, which includes:

- Comprehensive budget management;
- Medium term financial planning;

- A performance management framework which includes setting clear objectives and targets, both financial and otherwise;
- A clear system for financial governance based on codes of conduct, financial regulations, standing orders and associated codes of practice and guidance;
- Clear financial management framework including financial services, corporate finance and strategic finance which is continually reviewed for effectiveness;
- Regular reviews and reporting of financial performance against budget forecasts to officers and members;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts;
- Clearly defined capital expenditure guidelines;
- Use of formal project management disciplines for major projects; and
- A clear anti fraud and corruption strategy.

I have placed reliance on the City Council's statutory internal audit arrangements, for which I have the delegated responsibility.

The internal audit service operates in accordance with proper internal audit practices as defined by the CIPFA's Code of Practice for Internal Audit in Local Government and the IIA's International Standards for Internal Auditing.

Internal audit delivery is based on an independent risk assessment of operations and strategic and operational plans.

Internal audit reports to managers, chief officers and the Overview Scrutiny and Organisational Committee (OSOC). Individual

reports for internal audit reviews are issued and agreed with managers including an action plan for recommendations made for improvement and to mitigate against risks. The Head of Internal Audit provides an interim half-year and annual report on internal audit reviews. On the basis of internal audit reviews carried out, the Head of Internal Audit provides an independent annual opinion on the adequacy and effectiveness of the system of internal control.

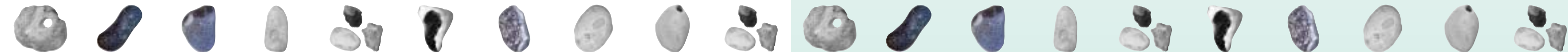
The internal audit service works closely with the external auditor, within agreed protocols, to maximise the level of audit coverage to the City Council.

My review of the effectiveness of the system of internal financial control is informed by:

- The work of managers within the City Council who have responsibility for the development and maintenance of the internal control framework;
- Recognition and attention to control issues that remain as ongoing risks;
- The work of corporate finance and financial services;
- The work of internal audit services as described above;
- The Audit Commission's Comprehensive Performance assessment; and
- Comment made by the external auditors, principally in their annual audit letter and other reports.

No assurance can ever be absolute. However this statement seeks to provide a reasonable assurance that there are no significant weaknesses in the City Council's system of internal financial control. In my opinion the City Council has in place a satisfactory framework of internal financial control. There are no significant weaknesses, however the City Council does face a number of challenges and will need to keep its system under review. Action will be taken to improve the City Council's financial standing through the introduction of new budget management arrangements to focus attention on critical budgets and performance measures and ensure roles and responsibilities are clearly defined.

Signed
Chris Taylor Chief Finance Officer





Consolidated Revenue Account

Year ended 31st March 2002	Operations	Year ended 31st March 2003		
		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
4,640	Central Services to the Public	39,406	37,772	1,634
53,874	Cultural, Environmental and Planning Services	89,794	28,218	61,576
116,775	Education Services	172,531	53,560	118,971
9,818	Highways, Roads and Transport Services	23,209	13,488	9,721
22,931	Housing Revenue Account	92,032	64,214	27,818
21,078	Housing General Fund	95,912	74,379	21,533
64,663	Social Services	108,898	40,595	68,303
6,815	Corporate and Democratic Core	6,660	0	6,660
1,453	Unapportionable Central Overheads	2,175	651	1,524
302,047	Net Cost of Services (Note 1)	630,617	312,877	317,740
10,000	Precepts and Levies			10,720
574	Council Tax Benefit Subsidy Limitation			0
(1)	Net (Surplus)/Deficit from Trading Operation (Note 2)			(13)
(28,555)	AMRA (GF)			(33,449)
(28,564)	AMRA (HRA)			(35,739)
330	HRA Amortised Premia/ Investment Income			1,049
(2,148)	Interest and Investment Income			(2,228)
253,683	Net Operating Expenditure			258,080

Year ended 31st March 2002	Appropriations	Year ended 31st March 2003
£'000		£'000
(549)	Surplus/(Deficit) transferred to HRA balances	933
1	Transfer to/(from) Airport Reserves	13
140	Contribution to LMS Reserves	425
(5)	Transfer to Portslade Adult Education Reserve	(4)
577	Transfer to/(from) LEA Budget	595
(420)	Transfers to/(from) Earmarked Reserves	1,525
516	Use of Previous Year's Carry Forward	0
0	Carry Forward of Under/(Over)spends:	
	– Corporate Budgets	821
(227)	Contributions to/(from) General Reserves	0
	Contributions to/(from) Capital Reserves:	
1,732	– Revenue Contributions to Capital	3,087
(12,463)	– Transfer to/(from) Capital Financing Reserve	(13,133)
(10,739)	– Deferred Charges Written Down	(10,762)
5,852	– Contributions to/(from) HRA Capital	5,939
238,098	Amount To Be Met From Government Grant And Local Tax Payers	247,519
(67,710)	Collection Fund Demand	(75,387)
(18)	Parish Council Precepts from the Collection Fund	(18)
371	Transfers from the Collection Fund	(26)
(96,123)	Government Grant	(91,701)
(72,600)	Distribution from National Non Domestic Rate Pool	(79,958)
2,018	(Surplus) / Deficit For The Year	429
(10,491)	General Fund Balance at 1st April	(8,473)
2,018	(Surplus) / Deficit for the Year	429
(8,473)	General Fund Balance at 31st March	(8,044)



11 Transactions On The Asset Management Revenue Account

2001/02 £'000		2002/03	
		£'000	£'000
	Income		
(49,432)	Capital Charges - General Fund	(56,650)	
(42,582)	- Housing Revenue Account	(49,724)	
			(106,374)
	Expenditure		
16,878	Provision for Depreciation – General Fund	19,031	
8,208	Provision for Depreciation – Housing Revenue Account	8,476	
(2,734)	Government Grants and External Contributions Written Down	(2,027)	
12,332	External Interest Charges	11,522	
113	Debt Management Expenses	90	
3	Finance Lease Interest	2	
			37,094
28,564	Transferred to Housing Revenue Account		35,739
95	Included within the results of Trading Operations		92
(28,555)	Balance To Consolidated Revenue Account		(33,449)

Notes to the Consolidated Revenue Account

1. Gross Expenditure

Includes Support Service Charges and Capital Finance Charges.

2. Trading Operations

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

2001/02 Net Expenditure £'000		2002/03		
		Total Expenditure £'000	Total Income £'000	Net Expenditure £'000
(1)	Shoreham Airport	2,191	(2,204)	(13)
(1)	Total	2,191	(2,204)	(13)

equivalent to £942,677 in 2002/03 for the benefit of people in their area on activities or projects not specifically authorised by other powers.

4. Publicity

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

2001/02 £		2002/03 £
794,135	Recruitment advertising	894,755
420,987	Other advertising	140,297
464,481	Publicity and Marketing	715,169
1,679,603	Total	1,750,221

3. Section 137 Expenditure

2001/02 £		2002/03 £
276,040	Equalities	324,007
652,969	Advice Agencies & Community Events	610,870
5,025	Miscellaneous	7,800
934,034	Total	942,677

5. Local Authorities (Goods & Services) Act 1970

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

Section 137 of the Local Government Act 1972, as amended by Sections 36 and 37 of the Local Government and Housing Act 1989 enables a unitary authority to spend up to £3.80 per head of the resident population,

