

6. Minimum Revenue Provision

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of provision is defined by statute. For 2002/03 the amount is £5.395m (2001/02 £3.391m). The provision has been charged to the following Service Revenue Accounts.

2001/02		2002/03
£'000		£'000
1,701	Housing Revenue Account	1,598
1,551	General Fund	3,652
139	Shoreham Airport	145
3,391	Statutory Minimum Revenue Provision	5,395
14,202	Amount charged by way of Depreciation excluding HRA	17,004
(10,811)	Adjustment to Consolidated Revenue Account	(11,609)
3,391	Statutory Minimum Revenue Provision	5,395

7. Members Allowances

The gross amount paid by way of Members Allowances during the year amounted to £815,465 (2001/02 £804,523). Details of allowances paid in 2002/03 were published in the Evening Argus 9th July 2003 and will be posted on the noticeboards outside the Town Halls in Brighton & Hove and on the Council's website.

8. Disclosure of Executive Remuneration

2001/02		2002/03
Number of Staff	Remuneration Band	Number of Staff
121	£40,000 - £49,999	176
39	£50,000 - £59,999	37
10	£60,000 - £69,999	9
1	£70,000 - £79,999	6
3	£80,000 - £89,999	1
2	£90,000 - £99,999	2
0	£100,000 - £109,999	1
0	£110,000 - £119,999	0
0	£120,000 - £129,999	1
0	£130,000 - £139,999	2

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

9. Pension Costs

The Council provides for the pensions of its past and present employees by way of contributions to the Department for Education and Skills in respect of teachers pensions costs and to the East Sussex County Council Superannuation Fund for other employees. The cost of these contributions shown in the Council's accounts is as follows:

2001/02			2002/03	
£'000	% of Pensionable Pay		£'000	% of Pensionable Pay
3,477	8.35	Teachers primary contributions	4,158	8.35
		Other employer's primary contributions		
8,857	12.70	– Non Airport	9,352	12.70
69	16.00	– Airport	77	17.00
		Discretionary payments and added years benefits		
2,043	2.92	– Non Airport	2,249	3.10
5	1.09	– Airport	9	2.00

The Funds Actuary has advised that the pension costs that it would be necessary to provide for in the year, in accordance with SSAP 24, are £9.205m representing 12.5% of Non-Airport pensionable pay and £0.076m, representing 16.8% of Airport pensionable pay.

The capital cost of any discretionary increases in pension payment (e.g. discretionary added years) agreed by Brighton & Hove City Council, or one of the three previous authorities is as follows:

- a) in year, £637,000
- b) in earlier years for which payments are still being made, £36,071,136 funded by the authority.

The corresponding figures for Teachers are:
 a) £0
 b) £2,618,136

10. Related Party Transactions

In accordance with Financial Reporting Standard (FRS) 8, material transactions with related parties not disclosed elsewhere in this statement of accounts are detailed below.

Central Government Grants

The following government grants are related party transactions.

Awarding Body	Government Grants (Amounts represent grant received in year)	2001/02 2002/03	
		£'000	£'000
Department for Education and Skills	Early Years Development Grant	2,464	2,704
Department of Health	Partnership Grant	2,353	8,045
Office of the Deputy Prime Minister	Single Regeneration Budget	4,673	3,157
Office of the Deputy Prime Minister	New Deal for Communities	531	1,378



Transactions with Other Local Authorities and other Bodies levying demands on the Council Tax

Levying authorities are:

Levying Authorities	2001/02	2002/03
	£'000	£'000
East Sussex Fire Authority	7,915	8,471
East Sussex Magistrates	333	337
Enclosure Committees	14	15
Environment Agency	1,678	1,825
Sussex Sea Fisheries	43	54
Total	9,983	10,702

Please note the 2001/02 figures have been amended to exclude Precepts (Rottingdean Parish Council).

Joint Arrangements

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

The City Council made a contribution of £27.676m to the pooled budget arrangement in 2002/03. This contribution is reflected in the Consolidated Revenue Account under Social Services. The total income and expenditure of the partnership are included in the SDHT 2002/03 accounts as a memorandum item.

Members and Directors

The Council's Registers of Members Interests and Hospitality were examined in order to identify any material related party transactions. With the exception of the involvement of two Council members in the Brighton City Centre Business Forum (see Note 15 to the Consolidated Balance Sheet), no related party transactions were identified.

11. Single Regeneration Budget and New Deal for Communities

The Council acts as the Accountable Body in respect of all the Single Regeneration Budget (SRB) projects and New Deal for Communities projects in Brighton & Hove. As a result of this role the Council receives and distributes SRB and NDC grant in respect of all projects. Independent bodies are responsible for the award of SRB and NDC grants to projects. These transactions have no net impact on the Council's accounts and are not therefore reflected in the Consolidated Revenue Account.

12. Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control

function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the expenditure and income divided between the chargeable and non-chargeable activities.

2001/02 £'000		2002/03		£'000 Total
		£'000 Chargeable	£'000 Non-Chargeable	
1,066	Expenditure	522	514	1,036
(599)	Income	(678)	(31)	(709)
467	Net (Surplus)/ Deficit	(156)	483	327

13. On Street Parking Surplus

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

The surplus from on-street parking in 2002/03 was £1,961,764. The surplus from on-street parking in 2001/02 was £1,758,318, although this was not separately disclosed in the 2001/02 Statement of Accounts. Details of qualifying expenditure in 2001/02 and 2002/03 are outlined in the table below.

2001/02 £'000		2002/03 £'000
1,171	Public Transport	1,227
1,940	Highway Maintenance	1,866
354	Bridges and Other Structures	442
1,675	Lighting	1,690
73	Safety Maintenance - Infrastructure	223
1,373	Routine Repairs	1,639
6,586	Total Qualifying Expenditure	7,087

14. Operating Leases

The Authority uses refuse collection vehicles, welfare coaches, parking meters, miscellaneous vehicles and equipment financed under terms of an operating lease. In addition, under Local Government Reorganisation regulations, the Authority has a liability to reimburse East Sussex County Council for certain operating leases entered into by East Sussex County Council prior to April 1997. The amount paid under these arrangements in 2002/03 was £1.201m (2001/02 £0.616m).

The Authority is committed to making payments of £1.117m under these leases in 2003/04, comprising the following elements:

	£'000
Leases expiring in 2003/04	33
Leases expiring between 2004/05 and 2008/09	1,073
Leases expiring after 2008/09	11





Housing Revenue Account Operating Account

Year ended 31st March 2002 £'000		Year ended 31st March 2003 £'000
	Income	
	Gross Rental Income	
(32,982)	Dwellings Rent (gross)	(34,384)
(883)	Non-dwelling Rents	(944)
(2,037)	Charges for Services and Facilities	(2,311)
(24,211)	HRA Subsidy Receivable (including Major Repairs Allowance – MRA)	(26,424)
(73)	Contributions Towards Expenditure	(73)
(115)	Housing Benefit Transfers from General Fund	(78)
(60,301)	Total Income	(64,214)
	Expenditure	
	Repairs, Maintenance and Management	
8,777	Repairs and Maintenance	9,907
9,980	Supervision and Management	10,197
183	Rents, Rates, Taxes and Other Charges	229
20,744	Rent Rebates	21,680
799	Provision for Bad or Doubtful Debts	426
34,374	Cost of Capital	41,113
106	Deferred Charges	136
	Depreciation of Fixed Assets	
7,917	On Dwellings	8,195
291	On Other Assets	113
61	Debt Management Expenses	36
83,232	Total Expenditure	92,032
22,931	Net Cost of Services	27,818
(28,564)	Transfer from Asset Management Revenue Account (AMRA)	(35,739)
414	Amortised Premiums and Discounts	1,079
(84)	Investment Income/Mortgage Interest, etc	(30)
(5,303)	Net Operating Expenditure	(6,872)
	Appropriations	
3,889	Revenue Contributions to Capital	3,912
1,701	HRA Contribution to Minimum Revenue Provision	1,598
553	Transfer to the General Fund	542
(291)	Transfer to Major Repairs Reserve	(113)
549	(Surplus)/Deficit for the Year	(933)
(3,031)	Balance Brought Forward	(2,482)
(2,482)	Balance Carried Forward	(3,415)

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, rent rebates and capital financing costs as well as rental income from tenants and the HRA subsidy from central government. The account is "ring fenced" as there are statutory controls over the transfers which can be made between the HRA and the Council's General Fund.

1. Housing Stock

The Council was responsible for managing 12,929 dwellings at 31st March 2003. The stock was made up as follows:

	Bedsit	1 Bed	2 Bed	3 Bed	4+ Bed	Total
Flats	883	3,707	3,256	288	6	8,140
Houses	0	13	1,691	2,520	274	4,498
Bungalows	0	204	64	23	0	291
Total	883	3,924	5,011	2,831	280	12,929

The change in stock can be summarised as follows:-

2001/02		2002/03
13,224	Stock at 1st April	13,098
(125)	Sales	(163)
(1)	Other	(6)
13,098	Stock at 31st March	12,929

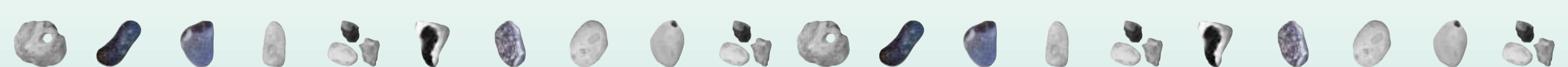
The total gross book values of HRA assets (before depreciation) are as follows:

Asset Classification	1 April 2002 Opening Balance £'000	31 March 2003 Closing Balance £'000
Operational Assets		
Housing Stock	559,746	684,915
Other Land and Buildings	9,341	8,462
Vehicles, Plant, Furniture and Equipment	449	449
Community Assets	0	29
Non-Operational Assets		
Investment Properties	3,360	3,210
Total	572,896	697,065

The Council's housing stock, garages and car parking spaces were revalued by the District Valuer as at the 1st April 2002. The opening balances (based on valuations as at 1st April 2001) were increased by: Council Dwellings £121.4m (up to £681.1m) and Other Land and Buildings were decreased by £0.680m for garages and increased by £0.411m for car parking spaces (up to £8.5m).

The vacant possession value for the dwellings in the HRA as at 1st April 2002 was £1,261.4m as valued by the District Valuer, compared with the value of £681.1m for its existing use as social housing. The difference of £580.3m represents the cost to the government of providing council housing at less than open market rents.

The District Valuer subsequently revalued the housing stock, garages and car parking spaces at 1st April 2003 but these valuations have not been reflected in the 2002/03 accounts. Values have increased since 1st April 2002 by: Council Dwellings £138m (up to £819.1m) and Other Land and Buildings were increased by £0.86m for garages and decreased by £0.23m for car parking spaces (up to £9.1m).



2. Major Repairs Reserve

The transactions on the Major Repairs Reserve in 2002/03 were as follows:

	£'000
Balance as at 1st April 2002	0
Depreciation on Housing Stock (Major Repairs Allowance)	8,195
Depreciation on Other HRA Property	113
Total	8,308
Contributions to Capital Expenditure on Housing Stock	(8,195)
Appropriation to the HRA (Depreciation on Other HRA Property)	(113)
Balance as at 31st March 2003	0

3. Housing Repairs Account

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

4. HRA Capital Expenditure and Financing

The following table summarises the capital expenditure incurred in 2002/03 and how it was financed:

	Land, Housing and Other Property £'000	Cash Incentive Scheme £'000	ICT Equipment £'000	Total £'000
Total Capital Expenditure	13,105	86	50	13,241
Less Expenditure Not Funded Until 2003/04	(259)	0	0	(259)
Add 2001/02 Expenditure Funded in 2002/03	534	26	0	560
Capital Expenditure Funded in 2002/03	13,380	112	50	13,542
Funded by:				
Basic Credit Approval	818	112	0	930
External Contributions	721	0	0	721
Major Repairs Allowance/Reserve	8,195	0	0	8,195
Direct Revenue Funding	3,573	0	50	3,623
Capital Receipts	73	0	0	73
Total Funding	13,380	112	50	13,542

The direct revenue funding charged to the HRA in 2002/03 was £3.912m, compared with £3.623m shown in the table above. The difference of £0.289m will be used to fund capital expenditure accrued for in 2002/03 where the works were not actually paid for until 2003/04.

The expenditure of £259,000 not funded in 2002/03 shown above relates to accruals and also grant funding to be received in 2003/04.

Summary of total capital receipts from disposals:

	£'000
Right to Buy Sales of Houses and Flats	8,783
Sale of Land and Other Property	1,023
Mortgages Repayments	178
Total	9,984

5. Cost of Capital Charges

The HRA in 2002/03 was debited with a cost of capital charge of £41.113m representing the cost of capital tied up in council housing. The figure is based on an interest charge of 6% (as prescribed by the Government) on the balance sheet value of the housing stock, other land and buildings, vehicles and plant.

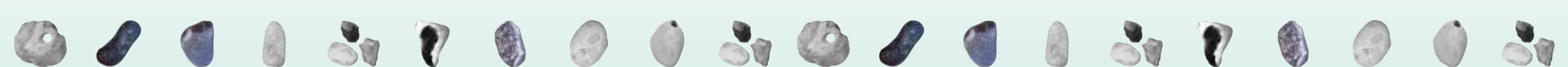
The HRA was also charged with depreciation to reflect the consumption of HRA assets over their useful life (housing stock £8.195m; other property £0.113m). The charge of £8.195m was funded from the Major Repairs Allowance, which forms part of the HRA subsidy paid to the Council by the Government.

In addition the HRA was debited with a deferred charge of £136,000 in respect of capital expenditure which did not result in the acquisition, creation or enhancement of a tangible fixed asset (Cash Incentive Scheme £86,100; ICT Equipment £49,564). In accordance with proper accounting practices, the HRA is charged with the deferred charge although the expenditure would be financed from capital resources.

Capital Asset Charges Accounting Adjustment:

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

	£'000
Cost of Capital (6% Charge)	41,112
Deferred Charges	136
	41,248
Less Transfer from AMRA to the HRA	(35,739)
Actual Interest borne by the HRA	5,509



6. Depreciation Charges for Operational/ Non Operational Assets

	Depreciation Charge 2002/03 £'000
Operational Assets	
Council Dwellings	8,195
Other Land and Buildings	191
Vehicles, Plant, Furniture and Equipment	90
	8,476
Non Operational Assets	
Investment Properties	(168)
Total Depreciation	8,308

The £168,000 credit for non operational assets is an adjustment to the 2001/02 charge.

7. Impairment

Impairment relates to physical damage or deterioration in the quality of the service provided by a fixed asset. There are no impairment charges in 2002/03 relating to fixed assets.

8. Deferred Charges

Deferred charges represent a transfer of resources from capital to revenue. This is to fund capital expenditure that does not create or enhance the life or value of a fixed asset. The deferred charges in 2002/03 are £86,100 for the Cash Incentive Scheme and £49,564 for Computer Equipment (see note 5 above).

9. HRA Subsidy Payable

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

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

HRA subsidy payable to the council for the year ended 31st March 2003 is as follows:

HRA Subsidy Elements	£'000
Housing Element Income	
Rental Income (Notional)	(30,999)
Interest on Receipts	(40)
Total Income	(31,039)
Expenditure	
Repairs, Maintenance and Management (Notional)	17,480
Major Repairs Allowance	8,195
Charges for Capital	10,286
Other Items of Reckonable Expenditure	3
Total Expenditure	35,964
Rent Rebate Element	
Rent Rebates	21,468

Summary

	£'000
Housing Element Income	(31,039)
Housing Element Expenditure	35,964
Net Expenditure – Housing Element Subsidy	4,925
Rent Rebate Subsidy	21,468
Total HRA Subsidy Due 2002/03	26,393
Subsidy Adjustment For 2001/02	31
Subsidy Outturn 2002/03	26,424

10. Rent Arrears

At 31st March 2003, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £2,616,454 (2002 £2,531,797). Although the value of arrears has increased, this represents a decrease as a proportion of gross rental income from 7.68% to 7.61%.

The Provision for uncollectable debts is as follows:

2001/02		2002/03
£'000		£'000
1,033	Provision as at 1st April	1,647
799	Change in Provision charged to the HRA	426
(185)	Rent Arrears and other bad debts written off	(225)
1,647	Provision for Bad Debts at 31st March	1,848

11. Appropriations – Transfer to the General Fund

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

