Brighton & Hove City Council

Statement of Accounts
2014/15

Brighton & Hove
City Council

Contents

Introduction to the Accounts

Brighton & Hove City Council ("the authority") is a south coast unitary authority formed in 1997 when the two former borough councils covering the geographical area, Brighton and Hove, merged and also took over the county council functions from East Sussex County Council for the area. In 2000, the authority was awarded city status by the monarch.

The city of Brighton and Hove is nestled between the South Downs and the sea and is home to more than 270,000 people. The city is renowned for its vibrancy, independent shops, historic lanes, vast array of pubs, restaurants and clubs, festivals and events, stunning architecture and attractive coastline and chalk cliffs.

The authority has recently developed a new Corporate Plan which includes an accompanying Medium Term Financial Strategy (MTFS) available on the authority's website. The Corporate Plan has been set in the context of a challenging financial future and focuses on modernising the authority's services to improve digital accessibility of services, reduce the cost of provision where possible, and look at alternative ways of providing services with public sector and other partners, particularly integration with health services. Through modernising services and providing effective city leadership and governance, the authority will be able to deliver on its key Corporate Plan service priorities which cover:

- Economy, jobs and homes;
- Children and young people;
- Health and wellbeing;
- Community safety and resilience;
- Environmental sustainability.

During 2014/15 the authority's Modernisation Programme was developed including a refreshed Value for Money programme which has now been embedded in the new Corporate Plan 2015/16 to 2019/20. This will support achievement of further savings to contribute towards an estimated budget gap of £102m over the next five years, starting from the assumption of no council tax increases.

Authority Funding 2014/15

Central Government's continuation of deficit reduction measures resulted in the level of the authority's local government finance settlement being 10.2% lower in 2014/15. This reduction, alongside growing pressures on the adult and children's social care and safeguarding services as well as inflationary pressures on energy, IT security and infrastructure costs, required the authority to identify and deliver substantial savings of over £16.7m whilst minimising the impact on council taxpayers and essential public services.

As part of the budget strategy for 2014/15, the authority set a 1.97% increase in council tax, resulting in the authority's share of council tax on a Band D property being £1,312, an increase of £25. The principles applied to the budget strategy for 2014/15 were:

- Corporate Plan priorities: all savings and investments were developed in the context of how they could support one or more of the Corporate Plan priorities;
- Value for Money benchmarking: the budget process for 2014/15 included a review of the whole authority budget including information about spending, staffing and critically, comparative value for money performance;
- Partnership and Community working: partnership working with the statutory and third sectors is becoming increasingly important to ensure that there is an effective and efficient mixed economy of provision in the city and across the Greater Brighton city region;
- Commissioning approach: linked strongly to partnership working but also applicable more generally is a strengthening commissioning approach;
- Service viability – models of delivery: both Value for Money benchmarking and/or other factors help improve the authority's understanding of where some services may struggle to

be financially viable over the medium term without looking carefully at their business model and/or model of delivery;
- Invest to save: the budget strategy is increasingly focused on an 'invest-to-save' approach linked to the Capital Investment Programme and the MTFS;
- Cross-cutting initiatives: to support the savings in the budget strategy and the MTFS, services will need to look much harder at areas where working together and joining forces can help to reduce costs, generate income, or improve customer service.

The authority's 2014/15 revenue and capital budgets were approved on 5 March 2014. Further details on the budget can be found in the Explanatory Foreword to the financial statements and on the authority's website, www.brighton-hove.gov.uk.

Modernisation and Value for Money (VfM)

In the early part of 2014, external advisers were commissioned by the authority to review the current VfM programme, its governance and further opportunities for savings in the short and medium term. This led to a refreshed VfM programme that sits firmly within the authority's Modernisation Programme. During 2014/15, the authority's Modernisation Programme therefore continued with a strong commitment to make better use of public money through the VfM savings programme which focused on efficiency savings, preventative social care investment, income generation, service improvements and modernisation.

The VfM programme continues to have a strong focus on maximising value from external contracts through effective procurement and contract management, and is now exploring a wide range of income generation options to move towards a more self financing model over the medium term. Other key areas include continuing to develop and reorganise services with partner agencies to provide preventative support and measures across adult and children's social care. This is designed to improve care and safeguarding while avoiding higher cost care pathways in the longer term by maintaining people in the community or with their families wherever possible.

The 2014/15 programme was expected to achieve savings of £9.917m including financial gains in adult social care, children's services, procurement and contracts, and workstyles. The actual level achieved was £6.081m. Although substantial, there were under achievements across adults and children's social care where underlying pressures became apparent during the reporting period which had to be addressed in the 2015/16 budget setting process and required the full use of risk provisions in 2014/15. The position clearly indicates that savings targets are becoming increasingly challenging to achieve as resources reduce and demands, particularly in social care, increase. This will require effective deployment of IT investment and investment in project management and service redesign to ensure savings programmes remain on track in future. It will also require a longer term approach linked to the Corporate Plan priorities over the next four years.

Financial Performance

The authority continues to deliver services within budget and maintain appropriate levels of reserves and balances to manage increasing financial and other risks both in-year and for future years and approached the 2014/15 financial year from a strong financial base with a continuing track record in effective financial planning and management.

The authority achieved an underspend of £2.103m on its General Fund budget, which is £2.644m better than expected when the 2014/15 budget was approved in March 2014; this indicates that the corporate financial management has been effective in a challenging environment with increasing demands and that pressures and risks identified throughout the reporting period have been successfully mitigated. The Housing Revenue Account (HRA) has underspent by £0.243m in 2014/15. These underspends have been transferred to the respective working balances. There was also an underspend of £1.453m on the Dedicated Schools Grant which, as required by the School Finance regulations, will be carried forward to support schools' funding in 2015/16.

Explanatory Foreword

The Statement of Accounts (i.e. the financial statements) is presented on an International Financial Reporting Standards (IFRS) basis and has been prepared by the authority in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and covers the period 1 April 2014 to 31 March 2015 ("the reporting period").

Financial Statements: their Objective

The objectives of financial statements are to provide information about the financial position, financial performance and cash flows of the authority that is useful to a wide range of users for assessing the stewardship and accountability of the authority's elected members and management of the resources entrusted to them and for making and evaluating economic decisions about the allocation of those resources.

Financial Statements: their Purpose and Relationship between them

The authority has prepared its financial statements in accordance with IAS 1 *Presentation of Financial Statements*, IAS 7 *Statement of Cash Flows* and IFRS 8 *Operating Segment*s as interpreted by the Code. The Code specifies the format of the financial statements, disclosures and terminology that are appropriate for local authorities. The authority is required to present a complete set of financial statements (including comparative information) that comprise:

- Movement in Reserves Statement (MiRS) for the reporting period;
- Balance Sheet as at the end of the reporting period;
- Comprehensive Income and Expenditure Statement (CIES) for the reporting period;
- Cash Flow Statement for the reporting period;
- Notes comprising explanatory information;
- Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

The financial statements also include a Statement of Responsibilities which sets out the responsibilities of the authority and the chief financial officer in respect of the financial statements.

The authority uses rounding to the nearest £'000 in presenting amounts in its financial statements; some notes are rounded to the nearest £ to aid the presentation and understanding of the financial statements. The authority has abbreviated £million as the symbol 'm'.

The financial statements are set out on pages 20 to 103 and are presented as follows:

Financial Statements:

Movement in Reserves Statement (MiRS)

The MiRS shows the movement in the reporting period on the different reserves held by the authority, analysed into "usable reserves" and "unusable reserves". The surplus / deficit on the provision of services shows the true economic cost of providing the authority's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund balance and the HRA balance for council tax and council dwelling rents setting purposes. The net increase / decrease before transfers to earmarked reserves shows the statutory General Fund balance and HRA balance before any discretionary transfers to or from earmarked reserves are undertaken by the authority.

Movement on the Housing Revenue Account Statement

The Movement on the Housing Revenue Account Statement reconciles the increase or decrease on the HRA in the reporting period (which includes the statutory amounts required to be charged to the HRA for council dwelling rents setting purposes) to the HRA Income and Expenditure Statement (which shows the true economic costs of providing the HRA service).

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories: “usable reserves” and “unusable reserves”. Movement in these reserves is reported in the MiRS.

Comprehensive Income and Expenditure Statement (CIES)

The CIES shows the accounting cost in the reporting period of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the MiRS.

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the reporting period of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

The authority uses the indirect method to present its revenue activities cash flows, whereby the net Surplus / Deficit on the Provision of Services is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

Collection Fund

The Collection Fund reflects the authority’s statutory obligation, as a billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non domestic rates in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and 2012). The Collection Fund Statement shows the transactions of the authority, as a billing authority, in relation to the collection from taxpayers and ratepayers and distribution to local precepting authorities and the Government (non domestic rates only) of council tax and non domestic rates.

Notes to the Financial Statements

The notes to the financial statements comprise explanatory information.

Financial Statements: Accounting Concepts, Principles and Policies

The authority prepares its financial statements, except for its cash flow information, using the accruals basis of accounting. The financial statements are also prepared on a going concern basis.

The authority's accounting policies detail the specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting its financial statements.

The authority has used the following underlying qualitative characteristics in producing its financial statements to ensure that the financial information included therein is as useful to the reader of the financial statements as is possible:

- **Relevance** – the authority has made judgements regarding the inclusion or exclusion of financial information within its financial statements on the basis of their individual nature and materiality (i.e. whether its omission or misstatement could influence decisions that users make on the basis of financial information included);
- **Faithful Representation** – the authority aims to ensure that the financial information included within its financial statements is complete within the boundaries of materiality (i.e. all information necessary for the user of the financial statements to understand the financial position, performance and cash flows), free from material error (i.e. no errors or omissions neither in the information reported nor in the process used to produce the reported information), and free from bias (i.e. it is neutral and not slanted, weighted, emphasised, deemphasised or otherwise manipulated to be received favourably or unfavourably by the user of the financial statements);
- **Comparability** – the authority has prepared its financial statements in accordance with the requirements of the Code and CIPFA's Service Reporting Code of Practice (SeRCOP); this allows the reader of its financial statements to compare the financial position and financial performance of the authority between reporting periods and also with other local authorities;
- **Verifiability** – to help assure users of the financial statements that the financial information contained therein faithfully represents the financial position, performance and cash flows. The authority includes explanations and disclosures of the judgements, assumptions, methodology and other factors and circumstances in preparing its financial statements;
- **Timeliness** – the authority gives consideration to the financial information it includes within its financial statements based on age, timeliness and meeting the users of the financial statement's needs to make economic decisions and the needs of public accountability and stewardship of public funds. The Code specifies the requirements regarding reporting periods covering the current reporting period and the comparative financial information.
- **Understandability** – the authority aims to ensure that the financial information included within its financial statements is presented clearly and concisely. Although the financial statements are complex due to the requirement to comply with IFRS, every effort has been made to provide notes and commentaries that explain and interpret the key elements of the financial statements for the reader. The authority also provides a summary version of the financial statements which will include the key facts and information; this can be found on the authority's website.

2014/15 Budget

General Fund

The 2014/15 General Fund net revenue budget was set at £225.337m which was funded mainly through revenue support grant of £63.442m, the authority's local share of business rates £51.581m and council tax income of £106.816m. The following table shows how the authority's budget has changed from 2013/14 to 2014/15:

	Budget 2014/15	
	£'000	£'000
Budget requirement 2013/14		228,139
Inflation	3,557	
Commitments	2,701	
Service pressures	6,508	
Efficiency and other savings	(15,568)	
		(2,802)
Budget Requirement 2014/15		**225,337**
Revenue Support Grant		63,442
Locally retained non domestic rates		51,581
Top Up Grant		1,611
Collection Fund surplus		1,887
Council tax		106,816
Total Financing		**225,337**

Housing Revenue Account (HRA)

The 2014/15 HRA gross budget was set at £58.780m which was funded through rental income from council dwellings (£50.423m), other rental streams (£1.382m), service charges (£6.583m) and other income streams (£0.392m).

Capital

The authority prepares a capital investment programme over a three year period setting out the authority's investment plans to support service delivery in key priority areas. In 2014/15, the authority planned to spend £91.975m on its General Fund capital investment programme; the majority of this budgeted expenditure was for new capital schemes starting in 2014/15 but also included budgeted expenditure for the completion of existing committed schemes. The following table shows the General Fund capital investment programme for the three year period from 2014/15 to 2016/17 together with the funding to support the programme:

	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Adult and Children's Social Care	1,364	1,250	1,250
Computer Infrastructure	2,165	2,000	500
Highways and Transportation	7,925	7,000	7,000
Housing	37,434	36,756	26,037
Planned Maintenance and Property Improvement	4,329	10,517	2,550
Regeneration Projects	17,266	18,549	6,450
Schools	16,831	12,907	17,041
Waste and Recycling	4,661	700	700
Total Capital Budget	**91,975**	**89,679**	**61,528**
Reserves	7,467	4,963	(5,395)
External contributions	75	0	0
Council borrowing	21,805	25,627	7,547
Capital receipts	8,291	10,539	10,585
Government grants	27,797	24,400	23,741
Direct revenue funding	26,540	24,150	25,050
Total Financing	**91,975**	**89,679**	**61,528**

Note: The negative £5.395m reserves figure in the above table relates to a repayment of forward funding met from reserves in preceding years.

In 2014/15, the authority set an HRA capital investment programme of £33.964m.

Further detail on the General Fund and HRA capital investment programmes can be found on the authority's website.

Financial Performance

In 2014/15, the authority reported its financial performance across nine service areas – Children's Services, Adult Services, Environment, Development & Housing, Assistant Chief Executive, Public Health (including Community Safety & Public Protection), Finance, Resources & Law, Corporate Budgets, NHS Trust Managed Section 75 (s75) Budgets and HRA. These service areas are classed as "operating segments" of the authority.

The aim of reporting financial performance at operating segment level is to enable users of the authority's financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.

Details of the individual services included within each of these operating segments are included in appendix 1 which can be found on pages 99 to 100.

2014/15 Financial Position - General Fund

The authority set a revenue budget of £224.009m in respect of General Fund operating segments for 2014/15. The actual spend on the General Fund operating segments was £221.906m, an underspend variation of £2.103m. This underspend represents a 0.94% positive variation on the revenue budget.

The following table summarises, by operating segment, the spending on services within the General Fund, including variations compared with the budget set by the authority:

Spending on General Fund Services by Operating Segment

Segments	Revised Budget £'000	Actual £'000	Variance £'000
Children's Services	55,104	55,062	(42)
Adult Services	64,833	66,676	1,843
Environment, Development & Housing	38,644	39,233	589
Assistant Chief Executive	15,734	15,411	(323)
Public Health (including Community Safety & Public Protection)	3,688	3,566	(122)
Finance, Resources & Law	32,011	30,108	(1,903)
Corporate Budgets	2,045	(359)	(2,404)
NHS Trust Managed s75 Budgets	11,950	12,209	259
Total	**224,009**	**221,906**	**(2,103)**

Note: The variance figures in brackets denote underspendings or income received in excess of that budgeted.

The following chart shows the net expenditure of £238.795m (excluding non ring fenced grants of £16.889m) by operating segment in percentage terms:

Net Expenditure by Operating Segment

Details on the overall underspend on General Fund services of £2.103m are reported to the June 2015 Policy & Resources Committee and can be found on the authority's website.

2014/15 Financial Position - Housing Revenue Account (HRA)

The authority set a revenue budget of £58.941m in respect of the HRA operating segment for 2014/15.

The underspend against this revised budget was £0.243m (before £0.5m revenue contributions made to fund capital investment) which represents a 0.41% positive variation of the total budget. The following table shows the breakdown of the budget, actual spend and underspend between expenditure and income:

Spending on HRA Services

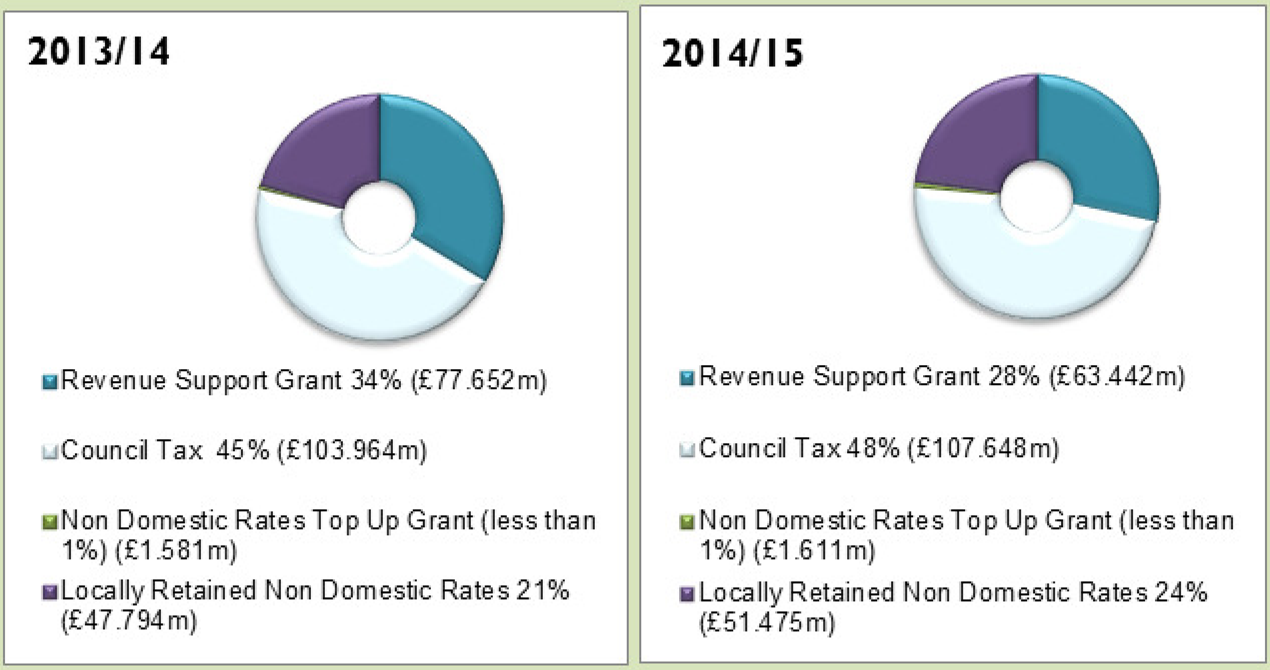
	Revised Budget	Actual	Variance
	£'000	£'000	£'000
Expenditure	58,941	58,619	(322)
Income	(58,941)	(58,862)	79
HRA Outturn	**0**	**(243)**	**(243)**
Contribution from the HRA balance to fund capital investment			500
Decrease in year on the HRA			**257**

Details on the overall underspend on HRA services of £0.243m are reported to the June 2015 Policy & Resources Committee and can be found on the authority's website.

Revenue Summary 2014/15

The authority's net revenue budget after income, for 2014/15 was originally set at £225.337m and later revised to £224.176m (including £0.042m Rottingdean Parish Council precept) to take account of in year Collection Fund adjustments. The following chart shows the sources of funding which were used to meet the net spending on services in percentage terms:

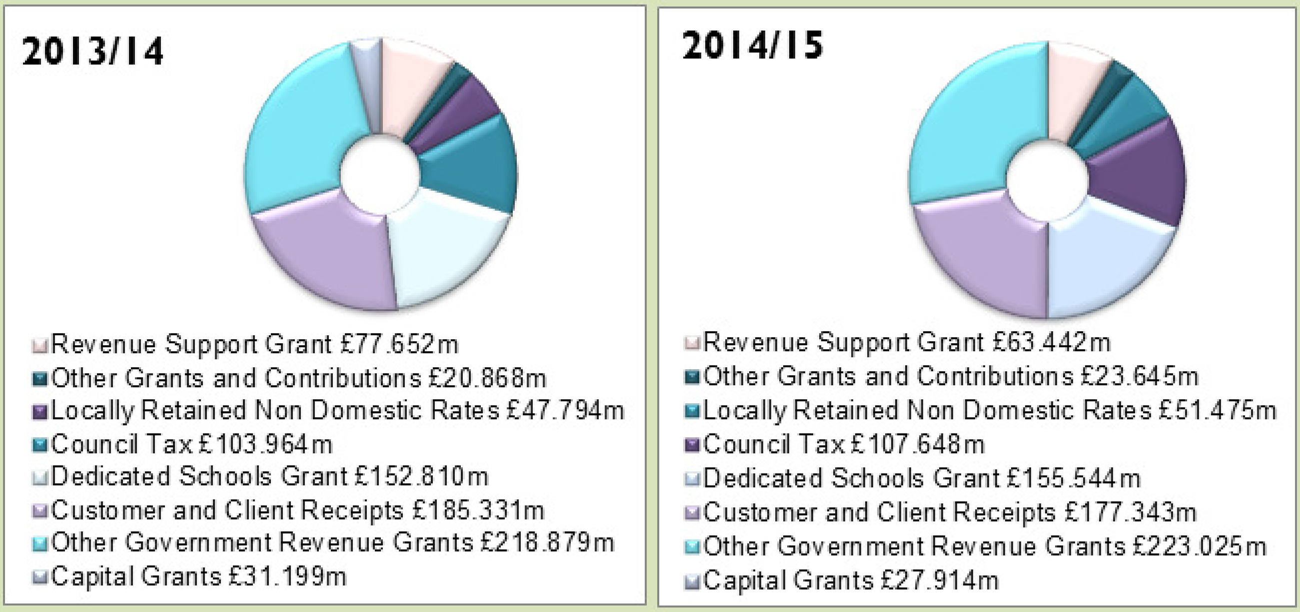
Funding to meet Net Spending on Services



Analysis of Income

The gross income in 2014/15 was £830.036m, as included in the CIES. The level of actual revenue income received in the reporting period has decreased by £8.461m from that reported in 2013/14. The following chart shows the total actual revenue income received by the authority over the two reporting periods:

Total Gross Income

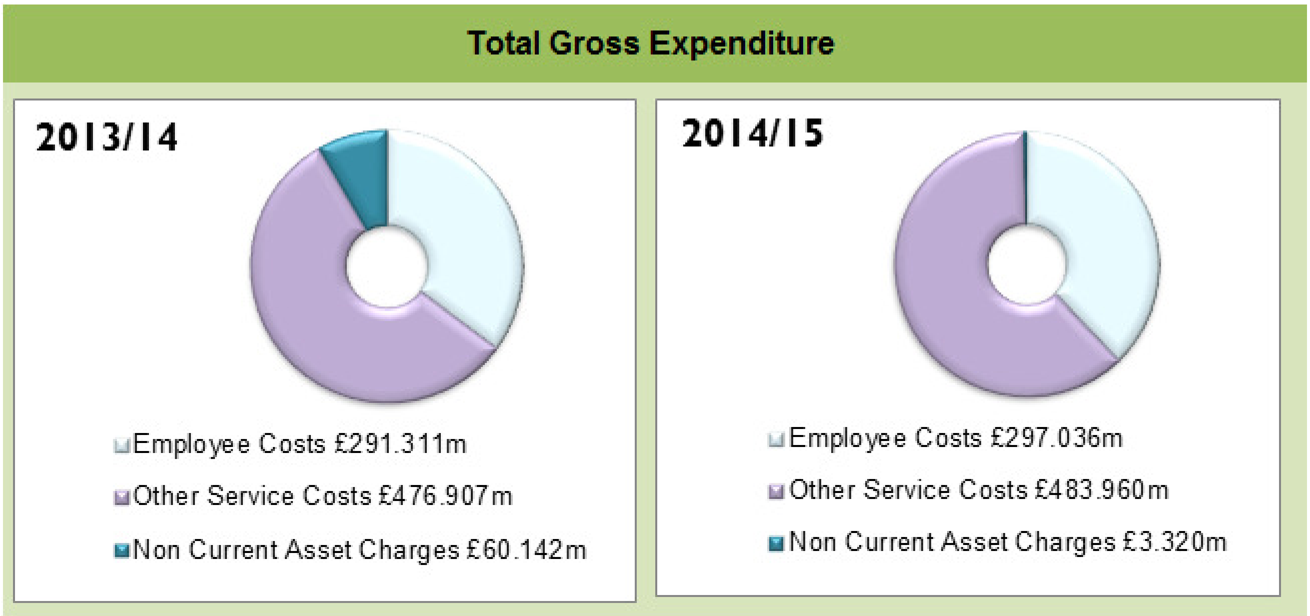


Customer and client receipts include rental income (e.g. housing and other property rents) and income from fees and charges.

Detail on the government grants and other grants and contributions received by the authority in 2014/15 can be found in note 15.

Analysis of Expenditure

The gross expenditure in 2014/15 for services was £784.316m as included in the CIES. The gross expenditure for services in 2014/15 has decreased by £44.044 from that reported in 2013/14; a significant element of this is due to non current asset charges (excluding write out of disposed assets) which reduced by £39.978m mainly because of the £50.840m reversal of previous revaluation losses on council dwellings. The following chart shows the total gross expenditure incurred by the authority analysed by main expenditure headings over the two reporting periods:

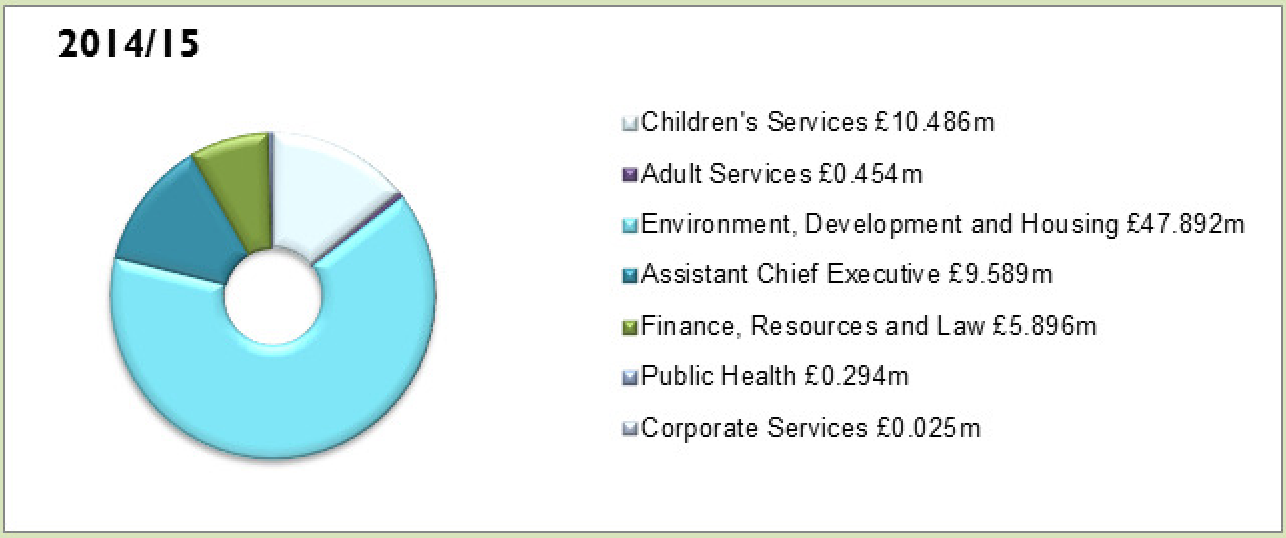


Capital Summary

In 2014/15, the authority has delivered a significant capital investment programme in partnership with a wide range of external bodies, developing successful bids for funding from central government and other external bodies, as well as the prudent use of borrowing.

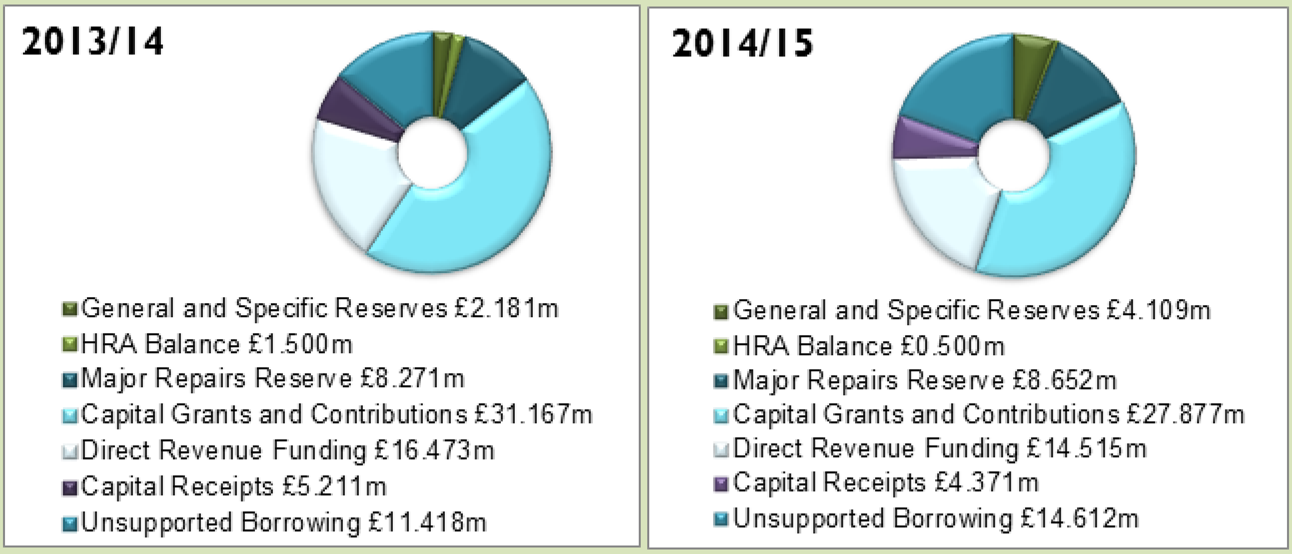
The original budget for capital investment was set at £91.975m which was later revised to £75.008m after reprofiling and budget adjustments for slippage of capital schemes carried forward to 2015/16. The actual spend totalled £74.636m in 2014/15 . No current or future resources were lost as a result of capital investment programme reprofiling and slippage. The budgeted resources in respect of the underspend of £0.372m will be reallocated by the authority in 2015/16. The following chart shows the total programmed capital investment split by operating segment:

Total Capital Investment by Operating Segment



The authority’s 2014/15 capital investment programme was funded from various internal and external sources. The following chart shows the funding of the capital investment programme over the two reporting periods:

Capital Investment Funding



The level of capital investment has decreased by £6.931m from that reported in 2013/14; the higher spending in 2013/14 related mainly to capital investment on academies and education establishments.

Details on the overall expenditure and financing of the authority’s capital investment programme are reported to the June 2015 Policy & Resources Committee and can be found on the authority’s website. Note 9 to the financial statements provides further information on contractual commitments for capital investments that existed as at the Balance Sheet date.

Reserves

Putting in place appropriate levels of general reserves is essential to enable the authority to manage risk effectively and to provide cover for potential and unforeseen contingencies. The authority’s working balances (i.e. the General Fund balance and the HRA balance) must last the lifetime of the authority unless contributions are made from future years’ revenue budgets.

Determining the appropriate levels of working balance requires a professional judgement by the authority based on local circumstances including the overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, levels of other earmarked reserves and provisions, and the authority's track record in financial management. The consequences of not keeping a minimum prudent level of balances can be serious. In the event of a major problem or a series of events, the authority would run a serious risk of a deficit or of being forced to cut spending during the year in an unplanned and potentially damaging way. The recommendation on the prudent level of General Fund working balance for the authority has been based on the robustness of estimates information and a risk assessment of the budget. For 2014/15, the analysis indicated a continuation of an underlying prudent level of working balance of £9m (excluding school balances); this represents about four weeks of council tax revenue. The current minimum level of working balance for the HRA deemed appropriate for the authority is set £2.9m; this represents 5% of gross HRA expenditure.

The underspend in 2014/15 for both the General Fund and HRA are included in the authority's working balance. The following table shows the working balance position for both the General Fund and HRA:

General Fund and HRA Balances

	Total **£'000**
General Fund	
Balances at 1 April 2014	**(11,196)**
Contribution to balances	(2,103)
Net transfer to / (from) earmarked reserves	2,832
Balance at 31 March 2015	**(10,467)**
Recommended General Fund Balance	**(9,000)**
Housing Revenue Account	
Balances at 1 April 2014	**(5,486)**
Contribution to balances	(243)
Contribution to fund capital investment	500
Balance at 31 March 2015	**(5,229)**
Recommended HRA Balance	**(2,900)**

The authority also holds earmarked reserves for both the General Fund and HRA. The General Fund earmarked reserves as at 31 March 2015 were £44.821m, a decrease of £6.205m. The HRA earmarked reserves as at 31 March 2015 were £1.919m, a decrease of £2.312m. Note 8 provides information on the specific earmarked reserves held by the authority.

Collection Fund

Non Domestic Rates (NDR)

The level of non domestic rates income received for 2014/15 is £104.143m of which the authority retained £51.581m. The authority also received a top up grant of £1.611m from central government.

The level of non domestic rates income on each business property depends on its 'rateable value' as calculated by the Valuation Office Agency (VOA). Where local businesses believe the current value for business properties is wrong they can appeal. Where rating appeals are successful, the settlement of the appeal is funded by the authority. The authority has estimated the impact of outstanding appeals as at 31 March 2015 and has included a provision of £1.477m to cover its share. Note 3 provides more details on the judgement made in calculating the provision.

The authority has included a short term creditor of £5.188m in respect of the amount of non domestic rates owed to central government and the East Sussex Fire Authority for their share of the in year surplus, the business rates appeal provision, prepayments and the impairment allowance for doubtful debts less their share of non domestic rates arrears.

Council Tax

In 2014/15, the authority collected council tax income of £127.442m (after reductions made under the localised scheme). The amount included in the CIES was £107.648m (including £0.042m re Rottingdean Parish precept), being its share of the council tax income.

Collection Fund Movement

Council tax has an in year movement of £1.285m which arose from distributing the previous year's forecast surplus of £2.210m less additional income of £0.925m mainly relating to lower than anticipated entitlements to council tax reduction and single person discounts.

Non Domestic Rates has an in year movement of £4.244m which is mainly in relation to distributing the previous year's forecast surplus of £4.028m.

Non Current Assets

The value of the authority's non current assets (including current assets held for sale) has increased in the reporting period by £149.450m, from the level reported in 2013/14 to £2,292.610m in 2014/15.

The authority has made a capital investment on non current assets of £58.610m.

The authority has disposed of £3.528m of non current assets in the reporting period.

During 2014/15, the authority's HRA valuers, Savills UK Ltd, carried out a valuation of council dwellings as at 1 April 2014 which showed an increase in the value of council dwellings resulting in a reversal of previous reporting period's revaluation losses of £50.840m; this has been reflected in the HRA Income and Expenditure Statement.

Other assets which were revalued in the reporting period have the effect of £105.632m revaluation gains recognised in the revaluation reserve, £20.963m revaluation losses of which £17.417m was charged to the revaluation reserve and £3.546m charged to the CIES and £8.629m to reverse previous revaluation and impairment losses which was charged to the CIES. The significant revaluation losses are detailed in note 9.

The authority also recognised impairment losses of £6.109m of which £0.866m was charged to the revaluation reserve and £5.243m charged to the CIES. The significant impairment losses are detailed in note 9.

The movement in the valuation of investment property was an upward valuation of £0.923m.

Assets have been depreciated in the reporting period by £44.584m.

Note 9 to the financial statements provides further information on non current assets held by the authority.

Pensions Liability

The authority's net liability for future pension payments, as estimated by the pension actuary, Hyman Robertson LLP, has increased from £266.715m at 31 March 2014 to £362.522m at 31 March 2015, an increase of £95.807m.

The overall deficit on the pension fund of £362.522m represents the difference between the value of the authority's pension fund assets as at 31 March 2015 and the estimated present value of the future pension payments (i.e. liabilities) to which it was committed at that date. The value of the authority's pension fund assets has increased by £103.227m from the level reported as at 31 March 2014 to £800.122m as at 31 March 2015. The value of the future pension payments liabilities has increased by £199.034m from the level reported at 31 March 2014 to £1,162.644m as at 31 March 2015.

The liabilities reflect the authority's long term underlying commitments to pay post employment 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 the liabilities.

In relation to the increases in the pension fund assets and liabilities, the pension actuary has advised that the significant changes that have taken place during the reporting period are that:

- the deficit has increased due to falling real bond yields;
- this has been partially offset by strong asset returns; and
- the projected defined benefit cost for next year has also risen due to falling bond yields.

The application of demographic and financial assumptions and other experience adjustments in relation to the pension liabilities has resulted in the pension liabilities increasing by £152.362m of which £160.010m relates to financial assumptions and (£7.648m) relates to other experience adjustments as detailed in the assumptions table in note 25. Effectively, the financial assumptions made by the actuary at 31 March 2015 are less favourable than those made at 31 March 2014. Specifically the discount rate used in the actuarial calculations has decreased during the reporting period due to falling real bond yields resulting in a negative impact on the net liability. Pension Scheme benefits are linked to price and salary inflation, therefore within the actuary's calculations, the real discount rate (i.e. net of price inflation) is compared from year to year when assessing the effect of changes in financial assumptions. The discount rate is set by reference to long term yields. The discount rate has changed from 4.3% to 3.2%. A lower real discount rate leads to a higher value being placed on the liabilities; the actuary has estimated that a 0.5% decrease in the real discount rate will have a financial impact of increasing the pension liabilities by approximately £127m.

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 fund will need to be made good by increased contributions over the working life of employees, as assessed by the pension actuary.

The authority recognises a reserve for the estimated net pension liability. Therefore, the net liability in relation to post employment benefits has no direct effect on the council tax requirement.

Notes 24 and 25 to the financial statements provide further information on pension costs.

Borrowings

At 31 March 2015, the authority's level of borrowing was £219.336m (including the bank overdraft). In accordance with the CIPFA Code of Practice on Treasury Management the management of the authority's borrowing portfolio is based on a consolidated approach and not by individual services.

The authority's Treasury Management Policy Statement (TMPS) for 2014/15 was approved by Full Council in March 2014. The TMPS includes treasury management practices which identify the practices and procedures that will be followed to achieve the aims of the TMPS. The treasury management practices are supplemented by a number of "schedules" which contain specific details of the systems and routines employed and the records maintained.

The borrowing strategy concentrates on managing the risk of when to undertake new long term borrowing. If borrowing is taken too early the difference between the borrowing rate and the investment rate will place severe pressures on the authority's revenue budget in the short term. If the decision is delayed there is a possibility that long term interest rates would have risen, placing pressures on the authority's revenue budget in the long term. The TMPS sets out measures to reduce this risk through a series of forward deals, variable rate borrowing and short term borrowing. The level of borrowing (including the bank overdraft) has increased in the reporting period by £3.822m. The following table shows the level of borrowing as at the Balance Sheet date:

Level of Borrowing		
	31 March 2014	31 March 2015
	£'000	£'000
Short term borrowing	(11,414)	(11,448)
Bank overdraft	(3,952)	(1,732)
Long term borrowing	(200,148)	(206,156)
Total borrowing	**(215,514)**	**(219,336)**
(Increase) / Decrease year on year	**(2,396)**	**(3,822)**

The authority has raised new loans of £9.831m and repaid £3.941m during the reporting period in respect of borrowings. Note 11 to the financial statements provides further information on borrowings.

Investments

At 31 March 2015 the authority held investments of £69.978m. Investments are made by the authority's treasury management team and the authority's external cash manager. The authority uses an external cash manager to take advantage of investment opportunities in specialist markets, such as government stock.

The authority's Annual Investment Strategy (AIS) for 2014/15 was approved by Full Council in March 2014. The AIS gives priority to security and liquidity. Security is achieved by selecting only those institutions that meet stringent credit rating criteria or, in the case of non rated UK building societies, have a substantial asset base, and having limits on the amount invested with any one institution.

For the purpose of determining credit ratings the authority uses independent credit rating agencies. Rating criteria is only one factor taken into account in determining investment counterparties. Other factors, such as articles in the financial press, are monitored and action taken where it is felt the risk attached to a particular counterparty has or is likely to worsen. Action will include the suspension of a counterparty in appropriate circumstances. Liquidity is achieved by limiting the maximum period for investment.

The level of investment has decreased in the reporting period by £7.854m. The following table shows the level of investments made as at the Balance Sheet date:

Level of Investments		
	31 March 2014	31 March 2015
	£'000	£'000
Short term investments	29,302	43,029
Cash equivalents	48,530	26,924
Long term investments	0	25
Total investments	**77,832**	**69,978**
Increase / (Decrease) year on year	**22,386**	**(7,854)**

During the reporting period, the authority has placed new short term investments of £606.488m, of which £527.638m relates to cash equivalents and has realised cash from the maturity of short term investments of £614.596m of which £549.246m relates to cash equivalents. Note 11 to the financial statements provides further information on investments.

The authority supported the creation of a Local Government Bond Agency which will seek to raise capital funding for local authorities at preferential rates. The authority has a £0.025m long term equity investment in the Local Government Bonds Agency through the purchase of a shareholding in the company.

Brighton i360

At a meeting of the Policy & Resources Committee on 6 March 2014, the authority agreed to provide a substantial loan facility to the developer of the Brighton i360. Once operational, the i360 is expected to generate significant additional revenues to the authority which will be allocated towards reinvestment in the wider development of the seafront and its infrastructure and undertaking essential works to the seafront. Full details of the i360 scheme are contained in the Policy & Resources Committee report which can be found on the authority's website.

Further Information

Further information about the financial statements is available from Central Financial Services, 3rd Floor, Bartholomew House, Bartholomew Square, Brighton. In addition, interested members of the public have a statutory right to inspect the financial statements and their availability is advertised in the local press and on the authority's website.

Rachel Musson ACCA
Interim Executive Director Finance & Resources (Section 151 Officer)

Statement of Responsibilities

The Authority's Responsibilities

The authority is required to**:**

(i) 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 authority that officer is the Executive Director Finance & Resources;

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

(iii) approve the Statement of Accounts.

The Executive Director Finance & Resources Responsibilities

The Executive Director Finance & Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA[1] Code of Practice on Local Authority Accounting in the United Kingdom. The Executive Director Finance & 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 authority at the Balance Sheet date and its income and expenditure for the reporting period.

In preparing this Statement of Accounts the Executive Director Finance & 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 Code.

The Executive Director Finance & Resources has also**:**

(i) kept proper accounting records which were up to date;

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2015 and its income and expenditure for the reporting period ended 31 March 2015.

Rachel Musson ACCA
Interim Executive Director Finance & Resources (Section 151 Officer)
22 September 2015

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[1] Chartered Institute of Public Finance and Accountancy

Certification by Chair

I confirm that this Statement of Accounts was approved by the Audit & Standards Committee at a meeting held on 22 September 2015.

Signed on behalf of Brighton & Hove City Council

Councillor A Norman
Chair
Audit & Standards Committee

Date 22 September 2015

Brighton & Hove City Council

Financial Statements
2014/15

Financial Statements Contents

Movement in Reserves Statement (MiRS)

	Balance as at 1 April 2014	(Surplus) / Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Total Comprehensive Income and Expenditure	Adjustments between Accounting Basis and Funding Basis under Regulations	Net (Increase) / Decrease before Transfers to Earmarked Reserves	Transfers between Earmarked Reserves and Other Reserves	(Increase) / Decrease in Year	Balance as at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£’000
USABLE RESERVES									
General fund balance	(11,196)	23,577	0	23,577	(14,711)	8,866	(8,137)	729	(10,467)
Earmarked general fund reserves	(51,026)	0	0	0	0	0	6,205	6,205	(44,821)
HRA balance	(5,486)	(69,297)	0	(69,297)	69,452	155	102	257	(5,229)
Earmarked HRA reserves	(4,231)	0	0	0	0	0	2,312	2,312	(1,919)
Capital receipts reserve	(11,996)	0	0	0	(3,109)	(3,109)	3,543	434	(11,562)
Major repairs reserve	0	0	0	0	0	0	0	0	0
Capital grants unapplied	(1,808)	0	0	0	(37)	(37)	84	47	(1,761)
Total Usable Reserves	**(85,743)**	**(45,720)**	**0**	**(45,720)**	**51,595**	**5,875**	**4,109**	**9,984**	**(75,759)**
UNUSABLE RESERVES									
Unusable reserves held for revenue purposes									
Collection fund adjustment account	(7,204)	0	0	0	3,177	3,177	0	3,177	(4,027)
Financial instruments adjustment account	973	0	0	0	(13)	(13)	0	(13)	960
Available for sale financial instruments reserve	(6)	0	5	5	0	5	0	5	(1)
Pensions reserve	266,715	0	80,747	80,747	15,060	95,807	0	95,807	362,522
Accumulated absences account	4,028	0	0	0	(178)	(178)	0	(178)	3,850
Total Unusable Reserves Held for Revenue Purposes	**264,506**	**0**	**80,752**	**80,752**	**18,046**	**98,798**	**0**	**98,798**	**363,304**
Unusable reserves held for capital purposes									
Revaluation reserve	(598,500)	0	(87,349)	(87,349)	7,034	(80,315)	0	(80,315)	(678,815)
Capital adjustment account	(1,208,911)	0	0	0	(76,683)	(76,683)	(4,109)	(80,792)	(1,289,703)
Deferred capital receipts reserve	(6,259)	0	0	0	8	8	0	8	(6,251)
Total Unusable Reserves Held for Capital Purposes	**(1,813,670)**	**0**	**(87,349)**	**(87,349)**	**(69,641)**	**(156,990)**	**(4,109)**	**(161,099)**	**(1,974,769)**
Total Unusable Reserves	**(1,549,164)**	**0**	**(6,597)**	**(6,597)**	**(51,595)**	**(58,192)**	**(4,109)**	**(62,301)**	**(1,611,465)**
Total Reserves	**(1,634,907)**	**(45,720)**	**(6,597)**	**(52,317)**	**0**	**(52,317)**	**0**	**(52,317)**	**(1,687,224)**

	Balance as at 1 April 2013	(Surplus) / Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Total Comprehensive Income and Expenditure	Adjustments between Accounting Basis & Funding Basis under Regulations	Net (Increase) / Decrease before Transfers to Earmarked Reserves	Transfers between Earmarked Reserves and Other Reserves	(Increase) / Decrease in Year	Balance as at 31 March 2014
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
USABLE RESERVES									
General fund balance	**(22,332)**	31,330	0	**31,330**	(15,590)	**15,740**	(4,604)	**11,136**	**(11,196)**
Earmarked GF reserves	**(50,855)**	0	0	**0**	0	**0**	(171)	**(171)**	**(51,026)**
HRA balance	**(6,061)**	(41,467)	0	**(41,467)**	40,512	**(955)**	1,530	**575**	**(5,486)**
Earmarked HRA reserves	**(2,619)**	0	0	**0**	0	**0**	(1,612)	**(1,612)**	**(4,231)**
Capital receipts reserve	**(4,498)**	0	0	**0**	(14,550)	**(14,550)**	7,052	**(7,498)**	**(11,996)**
Major repairs reserve	**0**	0	0	**0**	0	**0**	0	**0**	**0**
Capital grants unapplied	**(3,142)**	0	0	**0**	1,330	**1,330**	4	**1,334**	**(1,808)**
Total Usable Reserves	**(89,507)**	**(10,137)**	**0**	**(10,137)**	**11,702**	**1,565**	**2,199**	**3,764**	**(85,743)**
UNUSABLE RESERVES									
Unusable reserves held for revenue purposes									
Collection fund adjustment account	(424)	0	0	**0**	(6,780)	**(6,780)**	0	**(6,780)**	**(7,204)**
Financial instruments adjustment account	1,006	0	0	**0**	(33)	**(33)**	0	**(33)**	**973**
Available for sale financial instruments reserve	(19)	0	13	**13**	0	**13**	0	**13**	**(6)**
Pensions reserve	198,205	0	56,786	**56,786**	11,724	**68,510**	0	**68,510**	**266,715**
Accumulated absences account	4,147	0	0	**0**	(119)	**(119)**	0	**(119)**	**4,028**
Total Unusable Reserves Held for Revenue Purposes	**202,915**	**0**	**56,799**	**56,799**	**4,792**	**61,591**	**0**	**61,591**	**264,506**
Unusable reserves held for capital purposes									
Revaluation reserve	(555,381)	0	(50,902)	**(50,902)**	7,783	**(43,119)**	0	**(43,119)**	**(598,500)**
Capital adjustment account	(1,182,608)	0	0	**0**	(24,104)	**(24,104)**	(2,199)	**(26,303)**	**(1,208,911)**
Deferred capital receipts reserve	(6,086)	0	0	**0**	(173)	**(173)**	0	**(173)**	**(6,259)**
Total Unusable Reserves Held for Capital Purposes	**(1,744,075)**	**0**	**(50,902)**	**(50,902)**	**(16,494)**	**(67,396)**	**(2,199)**	**(69,595)**	**(1,813,670)**
Total Unusable Reserves	**(1,541,160)**	**0**	**5,897**	**5,897**	**(11,702)**	**(5,805)**	**(2,199)**	**(8,004)**	**(1,549,164)**
Total Reserves	**(1,630,667)**	**(10,137)**	**5,897**	**(4,240)**	**0**	**(4,240)**	**0**	**(4,240)**	**(1,634,907)**

Note: the comparative figures in the above table have been updated from that published in the 2013/14 financial statements to bring the treatment of capital investment funded from the HRA balance in line with other funding of capital investment.

Notes 6 and 7 provide more detail on the usable and unusable reserves.

Movement on the Housing Revenue Account Statement

2013/14 £'000		2014/15 £'000
(6,061)	**Balance on the HRA as at 1 April**	**(5,486)**
(41,467)	(Surplus) / deficit on the HRA Income and Expenditure Statement	(69,297)
(41,467)	**Total comprehensive income and expenditure**	**(69,297)**
Adjustments between accounting basis and funding basis under regulations		
(2,823)	Charges for impairment of non current assets	(740)
24,799	Reversal of previous reporting periods revaluation losses / impairment losses on non current assets	50,840
(756)	Revaluation losses on non current assets	0
(10)	Movements in the fair value of investment properties	0
1,124	Capital grants and contributions applied	120
(6,183)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the HRA Income and Expenditure Statement	(2,567)
0	Voluntary provision for the financing of capital investment	3,900
1,500	Use of HRA balance for the financing of capital investment	500
13,656	Capital expenditure charged to the HRA	13,390
9,859	Transfer of sale proceeds credited as part of the gain/loss on disposal to the HRA Income and Expenditure Statement	4,816
(99)	Contribution from the capital receipts reserve towards administrative costs of non current asset disposals	(68)
(1,404)	Reversal of items relating to retirement benefits debited or credited to the HRA Income and Expenditure Statement	(1,620)
845	Employer's pensions contributions payable in the reporting period	895
2	Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(12)
2	Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the reporting period in accordance with statutory requirements	(2)
40,512	**Total adjustments between accounting basis and funding basis under regulations**	**69,452**
(955)	**Net (Increase) / Decrease before Transfers to / (from) Earmarked Reserves**	**155**
1,530	Transfers to / (from) earmarked reserves	102
575	**(Increase) / Decrease in Year**	**257**
(5,486)	**Balance on the HRA as at 31 March**	**(5,229)**

Note: the comparative figures in the above table have been updated from that published in the 2013/14 financial statements to bring the treatment of capital investment funded from the HRA balance in line with other funding of capital investment.

Balance Sheet

As at 31 March 2014 £'000	Note		As at 31 March 2015 £'000
Long Term Assets			
1,880,807	**9**	Property, plant and equipment	2,030,405
216,857	**9**	Heritage assets	215,843
43,069	**9**	Investment property	43,992
2,427	**9**	Long term intangible assets	2,190
0	**11**	Long term investments	25
7,542	**12**	Long term debtors	17,125
2,150,702		**Long Term Assets**	**2,309,580**
Current Assets			
29,302	**11**	Short term investments	43,029
732		Inventories	785
40,571	**12**	Short term debtors	37,608
48,530		Cash equivalents	26,924
0	**9**	Short term assets held for sale	180
0	**35**	Short term intangible assets	359
119,135		**Current Assets**	**108,885**
Current Liabilities			
(3,952)		Bank overdraft	(1,732)
(11,414)	**11**	Short term borrowing	(11,448)
(74,740)	**13**	Short term creditors	(72,568)
(4,515)	**14**	Short term provisions	(4,231)
(94,621)		**Current Liabilities**	**(89,979)**
Long Term Liabilities			
(5,241)	**14**	Long term provisions	(3,937)
(200,148)	**11**	Long term borrowing	(206,156)
(322,556)	**25, 18**	Other long term liabilities	(416,437)
(12,364)	**15**	Capital grant receipts in advance	(14,732)
(540,309)		**Long Term Liabilities**	**(641,262)**
1,634,907		**Net Assets**	**1,687,224**
(85,743)	**6, 8**	Usable reserves	(75,759)
(1,549,164)	**7**	Unusable reserves	(1,611,465)
(1,634,907)		**Total Reserves**	**(1,687,224)**

These financial statements replace the unaudited financial statements certified by the Interim Executive Director Finance & Resources on 29 May 2015.

Rachel Musson ACCA
Interim Executive Director Finance & Resources (Section 151 Officer)
22 September 2015

Comprehensive Income and Expenditure Statement (CIES)

Year Ended 31 March 2014			Note		Year Ended 31 March 2015		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**			**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
19,070	(7,547)	11,523		Central services	16,133	(7,513)	8,620
39,905	(12,085)	27,820		Cultural & related services	36,794	(12,288)	24,506
36,251	(5,994)	30,257		Environmental & regulatory services	36,496	(5,268)	31,228
11,507	(3,551)	7,956		Planning services	12,391	(5,807)	6,584
260,530	(186,943)	73,587		Children's & education services	266,072	(193,903)	72,169
39,761	(28,036)	11,725		Highways & transport services	47,083	(29,743)	17,340
38,586	(56,293)	(17,707)		Housing services (HRA)	36,945	(58,738)	(21,793)
(24,799)	0	(24,799)	**4**	Exceptional item - revaluation gain reversing a previous revaluation loss (HRA)	(50,840)	0	(50,840)
210,183	(187,990)	22,193		Other housing services	210,591	(188,142)	22,449
114,429	(30,311)	84,118		Adult social care	114,955	(32,220)	82,735
18,226	(18,507)	(281)		Public health	18,903	(18,930)	(27)
5,306	0	5,306		Corporate & democratic core	4,620	0	4,620
5,114	0	5,114		Non distributed costs	98	0	98
774,069	**(537,257)**	**236,812**		**Cost of Services**	**750,241**	**(552,552)**	**197,689**
				Other operating expenditure			
		2,966		(Gains) / losses on the disposal of non current assets			(4,955)
		205		Precepts and levies			209
		1,000		Payments to the government housing capital receipts pool			1,097
		0		Depreciation on assets leased to academy schools			1,641
		4,171					**(2,008)**
				Financing & investment income & expenditure			
		16,453		Interest payable			16,817
		8,976		Net interest on the net defined benefit pension liability			11,535
		(1,088)		Interest receivable			(1,306)
		(3,166)		Income and expenditure in relation to investment properties			(3,078)
		3,644		Changes in the fair value of investment properties			(923)
		24,819					**23,045**
				Taxation & non specific grant income and expenditure			
		(103,964)		Council tax income (including share of council tax surplus / deficit)			(107,648)
		(5,560)		Share of non domestic rates (surplus) / deficit			106
		(42,234)		Locally retained element of non domestic rates income			(51,581)
		(96,012)		Non ring fenced government grants			(81,942)
		(28,169)		Capital grants and contributions			(23,381)
		(275,939)					**(264,446)**
		(10,137)		**(Surplus) / Deficit on the Provision of Services**			**(45,720)**

Note: The 2013/14 comparative figure of £1.029m for the depreciation on assets leased to academy schools has not been restated, it is reported in the children's & education services line in 2013/14.

Year Ended 31 March 2014 Net Expenditure £'000	Note		Year Ended 31 March 2015 Net Expenditure £'000
Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services			
(50,902)	**9**	(Surplus) / deficit on revaluation of non current assets	(87,349)
56,786	**25**	Remeasurements of the net defined benefit liability	80,747
5,884			**(6,602)**
Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services			
13	**7, 11**	(Surplus) / deficit on revaluation of available for sale financial assets	5
13			**5**
5,897		**Other Comprehensive Income and Expenditure**	**(6,597)**
(4,240)		**Total Comprehensive Income and Expenditure**	**(52,317)**

Operating Segments Note

Decisions about resource allocation are taken by the authority's Full Council on the basis of budget reports analysed across operating segments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital investment (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to the appropriate cost of service in the CIES);
- the cost of retirement benefits is based on cash flows (i.e. payment of employer's pension contributions) rather than current service cost of benefits accrued in the reporting period;
- expenditure on support services is budgeted for centrally and not charged to services.

Reportable operating segments are based on the authority's internal management reporting. Information on the operating segments is shown in appendix 1 to the financial statements which can be found on pages 99 to 100. The Code prescribes the format for disclosing operating segments; however, the authority has opted to disclose information on all its operating segments. The authority does not aggregate any operating segments for reporting purposes.

The analysis of income and expenditure on the face of the CIES is specified by CIPFA's *Service Reporting Code of Practice (SeRCOP)* as prescribed by the Code however the authority reports income and expenditure internally by its operating segments. The following tables shows the income and expenditure of the authority's operating segments together with a reconciliation to the amounts included in the CIES:

Reconciliation of Operating Segment Income and Expenditure to the Surplus / Deficit on the Provision of Services in the CIES

Year Ended 31 March 2014			Note		Year Ended 31 March 2015		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**			**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
100,915	(167,932)	(67,017)		Children's Services	107,535	(174,630)	(67,095)
86,868	(22,266)	64,602		Adult Services	91,714	(25,038)	66,676
88,026	(51,662)	36,364		Environment, Development & Housing	90,312	(51,079)	39,233
23,025	(10,732)	12,293		Assistant Chief Executive	27,328	(11,917)	15,411
20,149	(19,001)	1,148		Public Health	24,127	(20,561)	3,566
222,729	(180,179)	42,550		Finance, Resources & Law	216,499	(186,391)	30,108
19,578	(22,631)	(3,053)		Corporate Services	19,056	(19,415)	(359)
20,154	(8,003)	12,151		NHS Trust managed S75 Services	20,544	(8,335)	12,209
30,235	(56,373)	(26,138)		Housing Revenue Account (HRA)	30,362	(58,808)	(28,446)
611,679	**(538,779)**	**72,900**		**Operating Segment Analysis**	**627,477**	**(556,174)**	**71,303**
Amounts not included in the operating segment analysis but included in the CIES cost of services							
139,406	(19,142)	120,264		Schools	143,815	(20,897)	122,918
46,490	(47,174)	(684)		Support service and management and administration recharges	50,619	(50,619)	0
41,156	0	41,156		Non current asset charges	(1,097)	0	(1,097)
1,973	0	1,973		Employee adjustments	(84)	0	(84)
0	0	0		Income in relation to investment properties and finance leases	0	3,517	3,517
229,025	**(66,316)**	**162,709**			**193,253**	**(67,999)**	**125,254**
Amounts included in the operating segment analysis but not included in the CIES cost of services							
(16,453)	0	(16,453)		Interest payable	(16,392)	0	(16,392)
0	1,088	1,088		Interest receivable	0	849	849
(163)	0	(163)		Precepts and levies	(167)	0	(167)
(49)	0	(49)		Non current assets disposal costs	(47)	0	(47)
0	16,780	16,780		Non ring fenced government grants	0	16,889	16,889
(16,665)	**17,868**	**1,203**			**(16,606)**	**17,738**	**1,132**
Allocation of recharges							
(49,970)	49,970	0		Support service and management and administration recharges	(53,883)	53,883	0
774,069	**(537,257)**	**236,812**		**Cost of Services**	**750,241**	**(552,552)**	**197,689**

Reconciliation of Operating Segment Income and Expenditure to the Surplus / Deficit on the Provision of Services in the CIES

2014/15	**Operating Segment Analysis**	**Amounts included in Operating Segment Analysis but not included in CIES Cost of Services**	**Amounts not included in the Operating Segment Analysis but included in the CIES Cost of Services**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Surplus /(Deficit) on the Provision of Services**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Employee expenses	162,561	0	122,940	0	**285,501**	11,535	**297,036**
Other service expenses	445,046	0	20,791	0	**465,837**	0	**465,837**
Support service and management and administration recharges	3,264	0	50,619	(53,883)	**0**	0	**0**
Non current asset charges - depreciation, amortisation, revaluation and impairment	0	0	(1,097)	0	**(1,097)**	718	**(379)**
Interest payable	16,392	(16,392)	0	0	**0**	16,817	**16,817**
Precepts and levies	167	(167)	0	0	**0**	209	**209**
Payments to housing capital receipts pool	0	0	0	0	**0**	1,097	**1,097**
Write out of disposed non current assets	47	(47)	0	0	**0**	3,699	**3,699**
Total Expenditure	**627,477**	**(16,606)**	**193,253**	**(53,883)**	**750,241**	**34,075**	**784,316**
Fees, charges and other service income	(184,206)	0	(3,328)	0	**(187,534)**	(3,494)	**(191,028)**
Support service and management and administration recharges	(3,264)	0	(50,619)	53,883	**0**	0	**0**
Income from non current assets disposals	0	0	0	0	**0**	(8,654)	**(8,654)**
Interest receivable	(849)	849	0	0	**0**	(1,306)	**(1,306)**
Income from council tax	0	0	0	0	**0**	(107,648)	**(107,648)**
Income from non domestic rates	0	0	0	0	**0**	(51,475)	**(51,475)**
Government grants	(367,855)	16,889	(14,052)	0	**(365,018)**	(104,907)	**(469,925)**
Total Income	**(556,174)**	**17,738**	**(67,999)**	**53,883**	**(552,552)**	**(277,484)**	**(830,036)**
Surplus / Deficit on the Provision of Services	**71,303**	**1,132**	**125,254**	**0**	**197,689**	**(243,409)**	**(45,720)**

Reconciliation of Operating Segment Income and Expenditure to the Surplus / Deficit on the Provision of Services in the CIES							
2013/14 Comparative Figures (Restated)	**Operating Segment Analysis**	**Amounts included in Operating Segment Analysis but not included in CIES Cost of Services**	**Amounts not included in the operating segment analysis but included in the CIES Cost of Services**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Surplus /(Deficit) on the Provision of Services**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Employee expenses	161,159	0	121,176	0	**282,335**	8,976	**291,311**
Other service expenses	430,375	0	20,203	0	**450,578**	104	**450,682**
Support service and management and administration recharges	3,480	0	46,490	(49,970)	**0**	0	**0**
Non current asset charges - depreciation, amortisation, revaluation and impairment	0	0	41,156	0	**41,156**	3,644	**44,800**
Interest payable	16,453	(16,453)	0	0	**0**	16,453	**16,453**
Precepts and levies	163	(163)	0	0	**0**	205	**205**
Payments to housing capital receipts pool	0	0	0	0	**0**	1,000	**1,000**
Write out of disposed non current assets	49	(49)	0	0	**0**	23,909	**23,909**
Total Expenditure	**611,679**	**(16,665)**	**229,025**	**(49,970)**	**774,069**	**54,291**	**828,360**
Fees, charges and other service income	(171,588)	0	(7,786)	0	**(179,374)**	(4,966)	**(184,340)**
Support service and management and administration recharges	(2,796)	0	(47,174)	49,970	**0**	0	**0**
Income from non current asset disposals	0	0	0	0	**0**	(20,765)	**(20,765)**
Interest receivable	(1,088)	1,088	0	0	**0**	(1,088)	**(1,088)**
Income from council tax	0	0	0	0	**0**	(103,964)	**(103,964)**
Income from non domestic rates	0	0	0	0	**0**	(47,794)	**(47,794)**
Government grants	(363,307)	16,780	(11,356)	0	**(357,883)**	(122,663)	**(480,546)**
Total Income	**(538,779)**	**17,868**	**(66,316)**	**49,970**	**(537,257)**	**(301,240)**	**(838,497)**
Surplus / Deficit on the Provision of Services	**72,900**	**1,203**	**162,709**	**0**	**236,812**	**(246,949)**	**(10,137)**

Note: the comparative figures in the above table have been restated from that published in the 2013/14 financial statements to correct the calculation of interest payable and interest receivable, correct the classification of capital contributions as government grants and correct the classification of revenue expenditure funded from capital.

Housing Revenue Account Income and Expenditure Statement

Year Ended 31 March 2014 (Restated) £'000		Year Ended 31 March 2015 £'000
	Expenditure	
11,653	Repairs and maintenance	11,461
13,181	Supervision and management	13,363
1,564	Rents, rates, taxes and other charges	1,735
(12,903)	Non current asset charges - depreciation, amortisation, revaluation and impairment	(40,994)
70	Debt management costs	58
222	Movement in allowance for bad debts	248
13,787	**Total Expenditure**	**(14,129)**
	Income	
(49,180)	Dwelling rents	(50,450)
(1,394)	Non dwelling rents	(1,390)
(4,995)	Charges for services and facilities	(6,031)
(724)	Other income	(867)
(56,293)	**Total Income**	**(58,738)**
(42,506)	**Net Expenditure /(Income) of HRA Services as included in the CIES**	**(72,867)**
234	HRA share of corporate and democratic core	234
(42,272)	**Net Expenditure / (Income) of HRA Services**	**(72,633)**
	Share of the operating income and expenditure included in the CIES	
(3,675)	(Gain) / loss on sale of HRA non current assets	(2,249)
10	Changes in the fair value of investment properties	(5)
(16)	Investment property net income	(18)
5,270	Interest payable	5,281
(28)	Interest receivable	(33)
(1,124)	Capital grants and contributions	(120)
368	Net interest on the net defined benefit liability	480
(41,467)	**(Surplus) / Deficit on the Provision of HRA Services**	**(69,297)**

Note: the comparative figures in the above table have been restated from that published in the 2013/14 financial statements to reclassify specific items of expenditure and income.

Cash Flow Statement

2013/14 £'000		2014/15 £'000
10,137	**Net surplus / (deficit) on the provision of services**	**45,720**
32,588	Non current asset charges - depreciation, amortisation, revaluation and impairment	(6,101)
6,164	Increase / (decrease) in creditors	1,030
460	(Increase) / decrease in debtors	2,277
11,724	Movement in the pension liability (element charged to the surplus / deficit on the provision of services)	15,060
23,909	Carrying amount of non current asset disposals	3,528
3,644	Movement in the fair value of investment properties	(918)
415	Contributions to/(from) provisions	(1,826)
(937)	Other adjustments	(85)
77,967	**Adjustment to surplus / (deficit) on the provision of services for non cash movements**	**12,965**
(35,216)	Capital grants and contributions	(27,914)
(20,565)	Proceeds from the disposal of non current assets	(8,556)
(55,781)	**Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities**	**(36,470)**
32,323	**Net Cash Flows from Operating Activities**	**22,215**
(71,307)	Purchase of non current assets (including the movement in capital creditors and debtors)	(59,048)
(49,000)	Purchase of short and long term investments	(78,875)
45,000	Proceeds from short term investments	65,350
(305)	Long term loans granted	(9,567)
20,565	Proceeds from the sale of non current assets	8,556
28,202	Capital grants and contributions received	30,352
121	Other capital cash payments / (receipts)	(6)
(26,724)	**Net Cash Flows from Investing Activities**	**(43,238)**
3,664	Cash receipts of short and long term borrowing	9,831
8,072	Billing authorities - council tax and non domestic rates adjustments	(4,253)
0	Repayment of short term and long term borrowing	(3,941)
11,736	**Net Cash Flows from Financing Activities**	**1,637**
17,335	**Net Increase / (Decrease) in Cash and Cash Equivalents**	**(19,386)**
(3,123)	Bank current accounts	(3,952)
30,366	Short term deposits	48,530
27,243	**Cash and Cash Equivalents as at 1 April**	**44,578**
(3,952)	Bank current accounts	(1,732)
48,530	Short term deposits	26,924
44,578	**Cash and Cash Equivalents as at 31 March**	**25,192**

Net Cash Flows from Operating Activities relating to Interest		
2013/14		2014/15
£'000		£'000
1,088	Interest received	1,306
245	Adjustments for differences between effective interest rates and actual interest receivable (including movement in interest debtor)	364
1,333	**Interest Received**	**1,670**
(16,453)	Interest paid	(16,817)
2,099	Adjustments for differences between effective interest rates and actual interest payable (including movement in interest creditor)	(152)
(14,354)	**Interest Paid**	**(16,969)**
(13,021)	**Net Cash Flows from Operating Activities relating to Interest**	**(15,299)**

Cash and Cash Equivalents

The authority defines cash equivalents as cash flow investments of cash surpluses lent to cover cash shortages and which are no longer than three months.

The following table shows an analysis of the components of cash and cash equivalents:

Cash and Cash Equivalents		
	31 March 2014	31 March 2015
	£'000	£'000
Bank current accounts	(3,952)	(1,732)
Short term deposits	48,530	26,924
Total Cash and Cash Equivalents	**44,578**	**25,192**

Collection Fund Statement

Year Ended 31 March 2014		Year Ended 31 March 2015		
		Council Tax	Non Domestic Rates	Total
£'000		£'000	£'000	£'000
(122,650)	Council tax	(127,442)		(127,442)
(105,430)	Non domestic rates		(104,143)	(104,143)
(228,080)	**Total Amount required by statute to be credited to the Collection Fund**	**(127,442)**	**(104,143)**	**(231,585)**
	Precepts and demands from major preceptors and the authority - council tax			
102,744	Brighton & Hove City Council	106,858		106,858
11,043	Sussex Police & Crime Commissioner	11,481		11,481
6,531	East Sussex Fire Authority	6,790		6,790
120,318		**125,129**		**125,129**
	Shares of non domestic rates income to major preceptors and the authority			
42,234	Brighton & Hove City Council		51,581	51,581
862	East Sussex Fire Authority		1,053	1,053
43,096			**52,634**	**52,634**
43,096	Payment with respect to central share (including allowable deductions) of the non domestic rates income to be paid to central government		52,633	52,633
301	Transitional protection payment receivable		988	988
43,397			**53,621**	**53,621**
	Impairment of debts/appeals for council tax			
1,399	Write offs of uncollectable amounts	1,087		1,087
(495)	Allowance for impairment	301		301
904		**1,388**		**1,388**
	Impairment of debts/appeals for non domestic rates			
291	Write offs of uncollectable amounts		83	83
803	Allowance for impairment		667	667
1,094			**750**	**750**
6,078	Movement in the provision for business rates appeals		(3,065)	(3,065)
418	Charge to General Fund for allowable collection fund costs for non domestic rates		419	419
	Contributions for previous years estimated Collection Fund surplus			
0	Central Government		2,014	2,014
0	Brighton & Hove City Council	1,887	1,974	3,861
0	Sussex Police & Crime Commissioner	203	0	203
0	East Sussex Fire Authority	120	40	160
0		**2,210**	**4,028**	**6,238**
215,305	**Total Amount required by statute to be debited to the Collection Fund**	**128,727**	**108,387**	**237,114**
(12,775)	**Total Movement on the Collection Fund Balance**	**1,285**	**4,244**	**5,529**
(497)	**Total Opening Collection Fund Balance**	**(1,925)**	**(11,347)**	**(13,272)**
(13,272)	**Total Closing Collection Fund Balance**	**(640)**	**(7,103)**	**(7,743)**

Note: the provision for business rates appeals covers the amount the authority anticipates having to repay to ratepayers in the future following successful appeals against the rating lists.

Notes to the Financial Statements

1 Accounting Policies

The authority has included its accounting policies in a separate section of the financial statements which can be found on pages 105 to 147.

A new policy has been included to confirm the accounting policy for schools transactions in line with the prescribed treatment of the Code. In previous reporting periods, the authority has accounted for school transactions within its single entity accounts therefore there is no change in accounting policy.

2 Accounting Standards that have been Issued but have not yet been Adopted

The 2015/16 code has adopted the following standards which will need to be fully adopted by the authority in 2015/16:

- IFRS13 *Fair Value Measurement* – this standard introduces a change to the definition of fair value and introduces changes to the valuation approach for some assets. Following the introduction of this standard the authority will be required, from 1 April 2015, to measure its assets and liabilities and provide disclosures in accordance with IFRS13 *Fair Value Measurement*. The adoption of IFRS13 is not a change in accounting policy and will therefore not require the publication of a third Balance Sheet. This change impacts on the authority's surplus assets which are to be valued at fair value and will require these assets to be revalued using this approach in 2015/16. There are no adaptations of IFRS13 for the public sector however the code adapts IAS16 *Property Plant and Equipment* (PPE) to require PPE that are operational and therefore provide service potential to be continued to be measured for their service potential and valued at existing use, existing use – social housing or DRC and not fair value.
- Annual improvements to IFRS's in the 2011-2013 cycle - The annual improvements process deals efficiently with a collection of narrow scope amendments to IFRSs even though the amendments are unrelated. The issues included in this cycle will not have a material effect on the authority's financial statements.
- IFRIC 21 *Levies* - IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. For 2014/15 levies totalled £205,517, therefore any change in recognition of levies will not have a material effect on the financial statements.

3 Critical Judgements and Assumptions Made

In preparing the financial statements, the authority has had to make judgements, estimates and assumptions for certain items that affect the application of its policies and reported levels of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience, current trends and other relevant factors that are considered to be reasonable. These estimates and assumptions have been used to inform the basis for judgements about the carrying values of assets and liabilities, where these are not readily available from other sources. However, because these cannot be determined with certainty, actual results could be materially different from those assumptions and estimates made.

Estimates, judgements and underlying assumptions are regularly reviewed. Changes in accounting estimates are adjustments of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities. Changes in accounting estimates result from new information or new developments, and accordingly are not corrections of errors. Changes to accounting estimates are recognised in the reporting period in which the estimate is revised if the revision affects only that reporting period or in the reporting period of the revision and future reporting periods if the revision affects both current and future periods.

The critical accounting judgements and assumptions made and the key sources of estimation uncertainty identified by the authority, which have a significant effect on the financial statements are:

- **Retirement Benefit Obligation** – The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "*Employee Benefits*". The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions it should consider applying. Changes in these assumptions can have a significant effect on the value of the authority's retirement benefit obligation. The key assumptions made are set out in note 25;
- **Provisions** – The authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the authority also exercises judgement; they are measured at the authority's best estimate of the costs required to settle or discharge the obligation at the Balance Sheet date. The level of the authority's provisions and details of its contingent liabilities are set out in notes 14 and 19 respectively;
- **Impairment of Financial Assets** – The authority provides for the impairment of its receivables based on the age and type of each debt. The percentages applied reflect an assessment of the recoverability of each debt;
- **Property, Plant and Equipment** – Assets are depreciated over useful lives that are dependent on assumptions such as the level of repairs and maintenance that will be incurred in relation to individual types of asset, the expected length of service potential of the asset and the likelihood of the authority's usage of the asset. The authority carries out an annual impairment review of its asset base which takes into account such factors as the current economic climate and local property value indices;
- **Asset Valuations** – The authority revalues its non current assets using the fair value approach. The authority exercises judgement on whether there is market based evidence to form the basis for valuation. Where there is no such evidence, the authority uses a depreciated replacement cost (DRC) approach to calculate the fair value;
- **Asset Componentisation** – The authority has based the componentisation of assets using categories of typical buildings that the vast majority of its asset base would fall under. The authority has exercised judgement on the main components that make up these typical buildings based on professional advice from the authority's quantity surveyors. The authority has also exercised judgement in classifying its assets under each typical building category and whether assets fall outside these categories and require individual attention for asset componentisation purposes;
- **Future Levels of Government Funding and Levels of Reserves** – The future levels of funding for local authorities have a high degree of uncertainty. The authority has

set aside amounts in provisions, working balances and reserves which it considers are appropriate based on local circumstances including its overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the authority's track record in financial management;

- **Classification of Leases** – The authority has entered into a number of lease arrangements in respect of property and other assets. The authority has exercised judgement in the classification of leases (i.e. operating or finance lease) using such factors as the length of the lease and rent levels. It also reviews contractual arrangements to assess for lease type arrangements which may indicate the substance of a lease (e.g. contract values and length of contract). The authority classifies all leases under 40 years as operating leases unless it is clear that all risks and rewards have transferred. In cases, where the authority has deemed that a lease contains both an operating and finance lease element, it applies a materiality percentage of 20% in classifying both elements as a finance lease. Where the authority sublets assets acquired under operating leases, these are treated, for disclosure purposes, as separate leases and are disclosed under operating leases where the authority acts as the lessor.Details of the authority's leases and lease type arrangements are set out in note 17;
- **Payments due under Private Finance Initiative (PFI)** – The authority recognises and discloses its payments due under PFI based on financial models prepared at the time the PFI project commenced. The estimation of the repayment of PFI liability is based on a judgement of the overall cost of the assets and the rate of return within each PFI project. The payment of services is based on a projection for future inflation. Changes in these assumptions can have a significant effect on the value of the payments under the PFI projects. The key assumption relating to inflation is set out in note 18;
- **Voluntary Aided Schools** – The authority has determined that the buildings relating to voluntary aided schools do not meet the definition criteria of control under IAS 16 Property, Plant and Equipment; properties are owned by the diocese and the school(s) occupies the premises under a licence with no interest being passed to the authority. The authority does not have sufficient control over the property to meet the definition criteria of an asset and therefore does not recognise the assets on its Balance Sheet;
- **Academy Schools** – The authority has exercised judgement of the treatment of the assets of the schools which have converted to academy status based on the current status of the asset and the terms and conditions of any leases that are in place as at the Balance Sheet date. In respect of both Brighton Aldridge Community Academy (BACA) and Portslade Aldridge Community Academy (PACA), the new schools are operational and have been transferred to the possession of BACA and PACA respectively. The schools land and buildings are subject to long term leases (125 years) to commence on completion of the contract; however, the final (legal) execution of the leases has been subject to delay and were not in place as at the Balance Sheet date. Therefore, the assets remain under the control of the authority until the long term leases are signed and the authority continues to hold the assets on its Balance Sheet for the reporting period;
- **Heritage Assets** – The authority has exercised judgement on the classification of assets held meeting the criteria of a heritage asset. Where there are clear indications of assets having an operational nature, there is no judgement exercised; however, in some cases, there is not a straightforward distinction. In such cases, the authority has based its categorisation on the asset being of a nature that would attract visitors to the city;
- **Brighton & Hove Seaside Community Homes Ltd** – The authority has exercised judgement of the existence of a group relationship between the company and the authority based on the definition of control and three tests set out in IFRS10 Consolidated Financial Statements. The authority's main exercise of judgement is in relation to these tests and

whether the authority has the power to control the company, has exposure or rights to variable returns and the ability to affect the company's returns. Following an assessment of the relationship, the authority has concluded that the arrangement does not meet the definition under IFRS10 for group accounting purposes;

- **Business rate appeals** – The authority has applied judgement in calculating the provision for business rate appeals based on data from the Valuation Office Agency (VOA) regarding outstanding appeals where estimates of the likelihood of success, the amount of the reduction and the backdating of the appeal have been based upon averages of historic settled appeals data. Different averages have been calculated for the different types of appeal.

4 Exceptional Items of Income and Expense

The authority has included an exceptional item of £50.840m on the face of its CIES relating to the reversal of previous reporting period's revaluation losses on council dwellings charged to the CIES in previous reporting periods.

5 Events after the Reporting Period

These accounts were authorised for issue by the Interim Executive Director Finance & Resources on 22 September2015. Events taking place after this date are not reflected in the financial statements or notes.

The council's Chief Executive and Head of Paid Service, Penny Thompson, stepped down and left the council's employment on 30 June 2015. Remuneration for 2014/15 is disclosed in note 22 to the financial statements. Termination benefits including exit packages are disclosed in note 23 but do not include those payable in this case as the termination occurred after the balance sheet date. Remuneration for Penny Thompson from 1 April to 30 June 2015 was £310,069 including salary of £63,584 (including a payment for returning officer duties of £26,084, compensation for loss of office of £234,404 and pension contributions of £12,081. The total cost of her exit package paid after 1 April 2015 was £274,129 including the compensation for loss of office payment of £234,404.

6 Usable Reserves

General Fund Balance

The General Fund balance summarises the resources that the authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the authority is required to recover) at the end of the reporting period. The General Fund balance shows the resources available to meet future running costs for non HRA housing services; it is not available to be applied to fund HRA services.

The following table shows the balances on the General Fund balance at the beginning and end of the reporting period and the detailed movements in the reporting period:

General Fund Balance		
	2013/14	2014/15
	£'000	£'000
Balance on the General Fund as at 1 April	**(22,332)**	**(11,196)**
(Surplus) / deficit on the provision of services	31,330	23,577
Total comprehensive income and expenditure	**31,330**	**23,577**
Adjustments between accounting basis and funding basis under regulations		
Charges for depreciation and impairment of non current assets	(40,073)	(39,158)
Reversal of previous reporting periods revaluation losses / impairment losses on non current assets	1,470	8,619
Revaluation losses on non current assets	(5,850)	(3,388)
Movements in the fair value of investment properties	(3,634)	918
Amortisation of intangible assets	(1,038)	(971)
Capital grants and contributions applied	33,152	26,747
Revenue expenditure funded from capital under statute	(8,567)	(6,640)
Non current assets written off on disposal as part of the gain / loss on disposal to the CIES	(17,726)	(961)
Statutory provision for the financing of capital investment	8,291	8,245
Voluntary provision for the financing of capital investment	8,708	4,289
Capital investment charged against the General Fund and HRA balances	2,817	1,125
Capital grants and contributions unapplied credited to the CIES	923	1,047
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	10,706	3,740
Contribution from the capital receipts reserve to finance the payments to the housing capital receipts pool	(1,000)	(1,097)
Transfer of improvement grant repayments to the capital receipts reserve	284	84
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the CIES	200	13
Write down of finance lease liability	(16)	(16)
Reversal of items relating to retirement benefits debited or credited to the CIES	(33,287)	(37,436)
Employer's pension contributions payable in the reporting period	22,122	23,101
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the reporting period in accordance with statutory requirements	31	25
Amount by which council tax income and non domestic rates income credited to the CIES is different from the amount taken to the General Fund balance in accordance with regulation	6,780	(3,177)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the reporting period in accordance with statutory requirements	117	180
Total adjustments between accounting basis and funding basis under regulations	**(15,590)**	**(14,711)**
Net (increase) / decrease before transfers to / (from) earmarked reserves	**15,740**	**8,866**
Transfers to / (from) earmarked reserves	(4,604)	(8,137)
(Increase) / decrease in year	**11,136**	**729**
Balance on the General Fund as at 31 March	**(11,196)**	**(10,467)**

Capital Receipts Reserve

The capital receipts reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital investment or to be set aside to finance historical capital investment. The balance on the reserve shows the resources that have yet to be applied for these purposes at the end of the reporting period. The following table shows the balances on the capital receipts reserve at the beginning and end of the reporting period and the detailed movements in the reporting period:

Capital Receipts Reserve		
	2013/14	**2014/15**
	£'000	**£'000**
Balance as at 1 April	**(4,498)**	**(11,996)**
Adjustments between accounting basis and funding basis under regulations		
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	(20,565)	(8,556)
Use of the capital receipts reserve to finance new capital investment	5,211	4,371
Contribution from the capital receipts reserve towards administrative costs of non current asset disposals	99	68
Contribution from the capital receipts reserve to finance the payments to the housing capital receipts pool	1,000	1,097
Transfer of improvement grant repayments to the capital receipts reserve	(284)	(84)
Transfer from the deferred capital receipts reserve upon receipt of cash	(11)	(5)
Total adjustments between accounting basis and funding basis under regulations	**(14,550)**	**(3,109)**
Transfers to / (from) earmarked reserves	7,052	3,543
Balance as at 31 March	**(11,996)**	**(11,562)**

Major Repairs Reserve

The authority is required to maintain a major repairs reserve, which holds an element of the capital resources required to be used on HRA assets or for capital financing purposes. The reserve is credited with an amount equivalent to the total depreciation charges for all HRA assets and funds capital investment on these assets. The following table shows the balances on the major repairs reserve at the beginning and end of the reporting period and the detailed movements in the reporting period:

Major Repairs Reserve		
	2013/14	**2014/15**
	£'000	**£'000**
Balance as at 1 April	**0**	**0**
Adjustments between accounting basis and funding basis under regulations		
Depreciation on council dwellings	(7,855)	(8,193)
Depreciation on other HRA non current assets	(334)	(373)
Amortisation of HRA intangible assets	(82)	(86)
Use of the major repairs reserve to finance new capital investment	8,271	8,652
Total Adjustments between accounting basis and funding basis under regulations	**0**	**0**
Balance as at 31 March	**0**	**0**

Capital Grants Unapplied Account

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The reserve also holds grants and contributions received towards capital projects for which there are no conditions for repayment attached where expenditure has yet to be incurred. The balance is restricted by grant terms as to the capital investment against which it can be applied and / or the reporting period in which this can take place. The following table shows the balances on the capital grants unapplied account at the beginning and end of the reporting period and the detailed movements in the reporting period:

Capital Grants Unapplied		
	2013/14	**2014/15**
	£'000	**£'000**
Balance as at 1 April	**(3,142)**	**(1,808)**
Adjustments between accounting basis and funding basis under regulations		
Capital grants and contributions unapplied credited to the CIES	(923)	(1,047)
Application of grants to capital financing transferred to the CAA	2,253	1,010
Total adjustments between accounting basis and funding basis under regulations	**1,330**	**(37)**
Transfers to / (from) earmarked reserves	4	84
Balance as at 31 March	**(1,808)**	**(1,761)**

7 Unusable Reserves

Revaluation Reserve

The revaluation reserve contains the gains made by the authority arising from increases in the value of its revalued non current assets (excluding investment property which is posted to the CAA). The balance on the reserve is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA. The reserve is matched by non current assets on the Balance Sheet and therefore is not a resource available to the authority.

The following table shows the balances on the revaluation reserve at the beginning and end of the reporting period and the detailed movements in the reporting period:

Revaluation Reserve		
	2013/14	2014/15
	£'000	£'000
Balance as at 1 April	**(555,381)**	**(598,500)**
Adjustments between accounting basis and funding basis under regulations		
Upward revaluation of non current assets	(61,503)	(105,632)
Downward revaluation of non current assets and impairment losses not charged to the surplus / deficit on the provision of services	10,601	18,283
Surplus / deficit on revaluation of non current assets not posted to the surplus / deficit on the provision of services	**(50,902)**	**(87,349)**
Difference between fair value depreciation and historical cost depreciation	6,360	6,737
Accumulated gains on non current asset disposals	1,423	297
Total amount written off to the CAA	**7,783**	**7,034**
Total adjustments between accounting basis and funding basis under regulations	**7,783**	**7,034**
Balance as at 31 March	**(598,500)**	**(678,815)**

Capital Adjustment Account (CAA)

The CAA absorbs the timing differences arising from different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses, revaluation losses and amortisations are charged to the CIES (with reconciling postings from the revaluation reserve to convert fair value amounts to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for costs of acquisition, construction and enhancement.

The CAA contains accumulated gains and losses on investment properties. The account also contains revaluation gains accumulated on revalued non current assets before 1 April 2007, the date that the revaluation reserve was created to hold such gains. The account is matched by non current assets on the Balance Sheet and therefore is not a resource available to the authority. The following table shows the balances on the CAA at the beginning and end of the reporting period and the detailed movements in the reporting period:

Capital Adjustment Account		
	2013/14	**2014/15**
	£'000	**£'000**
Balance as at 1 April	**(1,182,608)**	**(1,208,911)**
Adjustments between accounting basis and funding basis under regulations		
Charges for depreciation and impairment of non current assets	51,085	48,464
Revaluation losses on non current assets	6,606	3,388
Upward revaluations reversing previous revaluation losses on non current assets	(26,269)	(59,459)
Amortisation of intangible assets	1,120	1,057
Revenue expenditure funded from capital under statute	8,567	6,640
Amounts of non current assets written off on disposal as part of the gain / loss on disposal	23,909	3,528
Adjusting amounts written out to the revaluation reserve	(7,783)	(7,034)
Net written out amount of the cost of non current assets consumed in the reporting period	57,235	(3,416)
Use of the capital receipts reserve to finance new capital investment	(5,211)	(4,371)
Use of the HRA balance to finance new capital investment	(1,500)	(500)
Use of the major repairs reserve to finance new capital investment	(8,271)	(8,652)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(34,276)	(26,867)
Application of grants to capital financing from the capital grants unapplied account	(2,253)	(1,010)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,291)	(8,245)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(8,708)	(8,189)
Capital investment charged against the General Fund and HRA balances	(16,473)	(14,515)
Movements in the market value of investment properties debited / (credited) to the CIES	3,644	(918)
Total adjustments between accounting basis and funding basis under regulations	**(24,104)**	**(76,683)**
Use of earmarked reserves to finance new capital investment	(2,199)	(4,109)
Balance as at 31 March	**(1,208,911)**	**(1,289,703)**

Deferred Capital Receipts Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat those gains as usable for financing new capital investment until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve. The following table shows the balances on the deferred capital receipts reserve at the beginning and end of the reporting period and the detailed movements in the reporting period:

Deferred Capital Receipts Reserve		
	2013/14	2014/15
	£'000	£'000
Balance as at 1 April	**(6,086)**	**(6,259)**
Adjustments between accounting basis and funding basis under regulations		
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal of non current assets to the CIES	(200)	(13)
Write down of finance lease liability	16	16
Transfer to the capital receipts reserve upon receipt of cash	11	5
Total adjustments between accounting basis and funding basis under regulations	**(173)**	**8**
Balance as at 31 March	**(6,259)**	**(6,251)**

Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non domestic rates income in the CIES as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The amount held in this account is not a resource available to the authority. As payments out of the Collection Fund are controlled by statutory provisions, the amount that can be credited / debited against the General Fund balance for surpluses / deficits is limited to the January estimate of the share of the Collection Fund balance for the previous reporting period. The following table shows the balances on the collection fund adjustment account at the beginning and end of the reporting period and the detailed movements in the reporting period:

Collection Fund Adjustment Account		
	2013/14	2014/15
	£'000	£'000
Balance as at 1 April	**(424)**	**(7,204)**
Adjustments between accounting basis and funding basis under regulations		
Amount by which council tax and non domestic rates income credited to the CIES is different from council tax and non domestic rates income calculated for the reporting period in accordance with statutory requirements	(6,780)	3,177
Total adjustments between accounting basis and funding basis under regulations	**(6,780)**	**3,177**
Balance as at 31 March	**(7,204)**	**(4,027)**

Available for Sale Financial Instruments Reserve

The available for sale financial instruments reserve contains the gains made by the authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised.

The reserve is matched by borrowings and investments on the Balance Sheet and therefore is not a resource available to the authority. The following table shows the balances on the available for sale financial instruments reserve at the beginning and end of the reporting period and the detailed movements in the reporting period:

Available for Sale Financial Instruments Reserve		
	2013/14	**2014/15**
	£'000	**£'000**
Balance as at 1 April	**(19)**	**(6)**
Adjustments between accounting basis and funding basis under regulations		
Downward revaluations of investments not charged to the surplus / deficit on the provision of services	13	6
Upward revaluation of investments	0	(1)
Total adjustments between accounting basis and funding basis under regulations	**13**	**5**
Balance as at 31 March	**(6)**	**(1)**

Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in line with statutory provisions. The authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the General Fund balance to the financial instruments adjustment account in the MiRS. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on the council tax requirement. The following table shows the balances on the Financial Instruments Adjustment Account at the beginning and end of the reporting period and the detailed movements in the reporting period:

Financial Instruments Adjustment Account		
	2013/14	**2014/15**
	£'000	**£'000**
Balance as at 1 April	**1,006**	**973**
Adjustments between accounting basis and funding basis under regulations		
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the reporting period in accordance with statutory requirements	(33)	(13)
Total adjustments between accounting basis and funding basis under regulations	**(33)**	**(13)**
Balance as at 31 March	**973**	**960**

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 authority's recognised liability under IAS 19 *"Employee Benefits"*, for the same period. The reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet. The following table shows the balances on the pensions reserve at the beginning and end of the reporting period and the detailed movements in the reporting period:

Pensions Reserve		
	2013/14	**2014/15**
	£'000	**£'000**
Balance as at 1 April	**198,205**	**266,715**
Other comprehensive income and expenditure		
Remeasurements of the net defined benefit liability	56,786	80,747
Total other comprehensive income and expenditure	**56,786**	**80,747**
Adjustments between accounting basis and funding basis under regulations		
Reversal of items relating to retirement benefits charged to the surplus / deficit on the provision of services in the CIES	34,691	39,056
Employer's pensions contributions payable in the reporting period	(22,967)	(23,996)
Total adjustments between accounting basis and funding basis under regulations	**11,724**	**15,060**
Balance as at 31 March	**266,715**	**362,522**

Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing for employees' paid absences earned but not taken in the reporting period (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund and HRA balances is neutralised by transfers to / from the accumulated absences account. The following table shows the balances on the Accumulated Absences Account at the beginning and end of the reporting period and the detailed movements in the reporting period:

Accumulated Absences Account		
	2013/14	**2014/15**
	£'000	**£'000**
Balance as at 1 April	**4,147**	**4,028**
Adjustments between accounting basis and funding basis under regulations		
Settlement / cancellation of accrual made at the end of the preceding reporting period	(4,147)	(4,028)
Amounts accrued at the end of the current reporting period	4,028	3,850
Total adjustments between accounting basis and funding basis under regulations	**(119)**	**(178)**
Balance as at 31 March	**4,028**	**3,850**

8 Earmarked Reserves

The following table shows an analysis of the amounts included in transfers to / from earmarked reserves within the MiRS. It sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15:

Transfers to / from Earmarked Reserves							
	Balance at 1 April 2013	Transfers To 2013/14	Transfers From 2013/14	Balance at 31 March 2014	Transfers To 2014/15	Transfers From 2014/15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EARMARKED GENERAL FUND RESERVES							
Schools LMS reserves	**(7,114)**	(105)	0	**(7,219)**	0	1,685	**(5,534)**
Capital reserves	**(4,109)**	(2,659)	1,262	**(5,506)**	(333)	3,098	**(2,741)**
Departmental carry forwards	**(3,140)**	(3,619)	3,140	**(3,619)**	(1,492)	3,619	**(1,492)**
Restructure Redundancy reserve	**(1,984)**	(1,200)	1,119	**(2,065)**	(1,000)	1,566	**(1,499)**
Brighton Centre redevelopment reserve	**(3,636)**	(19)	20	**(3,635)**	(23)	52	**(3,606)**
ASC long term capacity reserve	**(1,671)**	0	181	**(1,490)**	0	414	**(1,076)**
Brighton i360 reserve	**0**	0	0	**0**	(730)	0	**(730)**
Insurance reserves	**(6,731)**	(35)	220	**(6,546)**	(41)	987	**(5,600)**
PFI reserves	**(5,957)**	(1,258)	203	**(7,012)**	(829)	1,615	**(6,226)**
Revenue grants carry forward reserve	**(2,049)**	(2,518)	850	**(3,717)**	(1,406)	2,160	**(2,963)**
City Deal New England House development reserve	**0**	0	0	**0**	(4,900)	0	**(4,900)**
Other earmarked reserves	**(14,464)**	(9,291)	13,538	**(10,217)**	(3,143)	4,906	**(8,454)**
Total	**(50,855)**	**(20,704)**	**20,533**	**(51,026)**	**(13,897)**	**20,102**	**(44,821)**
EARMARKED HRA RESERVES							
Capital reserves	(1,699)	(2,399)	999	**(3,099)**	(615)	3,251	**(463)**
Restructure redundancy reserve	(388)	0	0	**(388)**	0	0	**(388)**
Other earmarked reserves	(532)	(374)	162	**(744)**	(507)	183	**(1,068)**
Total	**(2,619)**	**(2,773)**	**1,161**	**(4,231)**	**(1,122)**	**3,434**	**(1,919)**
Total Earmarked Reserves	**(53,474)**	**(23,477)**	**21,694**	**(55,257)**	**(15,019)**	**23,536**	**(46,740)**

Local Management of Schools (LMS) Reserve

The Local Management of Schools (LMS) reserve holds the balances held by the authority's schools under a scheme of delegation. These reserves are held by each school and are used to provide for education to the pupils of that school. They are not used for any other purpose. The following table shows the level of reserves held by the authority's schools:

Reserves Held by Schools				
	2013/14	2014/15		
	Balance	Unspent Balance	Overspent Balance	Balance
Reserves Held by Schools	£'000	£'000	£'000	£'000
Nursery schools	**(41)**	(56)	20	**(36)**
Primary schools	**(3,193)**	(3,791)	147	**(3,644)**
Secondary schools	**(3,423)**	(1,536)	198	**(1,338)**
Special schools	**(562)**	(544)	28	**(516)**
Total	**(7,219)**	**(5,927)**	**393**	**(5,534)**

Other Earmarked Reserves

The capital reserves hold resources earmarked to fund capital schemes as part of the authority's capital investment strategy.

The departmental carry forwards reserve holds approved carry forwards of budget to meet future specific costs. For example, projects, initiatives and partnership work with agreed commitments.

The restructure redundancy reserve funds approved redundancy payments and associated severance and pension payments. The approved redundancy payments and associated severance and pension payments are either paid by services outright or are funded through this reserve which services then repay over five years by replenishment to this reserve.

The Brighton Centre redevelopment reserve holds set aside resources which will be used to contribute towards the redevelopment of the Brighton Centre (Waterfront Development).

The ASC long term capacity reserve holds set aside resources to support local resilience during the winter, promote integrated working between health and social care and to build longer term capacity within the city to meet future need.

The Brighton i360 reserve - at a meeting of the Policy & Resources Committee on 6 March 2014 the authority agreed to provide a substantial loan facility to the developer of the Brighton i360. Once operational, the i360 is expected to generate significant additional revenues to the authority alongside one-off arrangement fees, commitment fees and an annual risk margin on the loan provided. The Committee also agreed that the resources generated by the Brighton i360 development should be allocated towards reinvestment in the wider development of the seafront and its infrastructure. This would also include undertaking essential works to the seafront so that existing scarce resources do not have to be re-prioritised from current and future revenue and capital service budgets. The Brighton i360 reserve has therefore been created to facilitate the setting aside of these resources toward future seafront projects.

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

The Private Finance Initiative (PFI) reserve relates to the schools, joint waste, and library PFI schemes. PFI contract payments generally increase gradually over the contract period. This reserve is used to offset the higher annual net costs during the later years of the contracts.

The revenue grants carry forward reserve holds revenue grants received by the authority that have no conditions attached for which expenditure has not yet been incurred.

The city deal New England House development reserve - Funding has been secured as part of the Greater Brighton city deal for £4.9m to invest up to £24.5m to develop New England House into a growth hub. A private sector partner is being sought to enter into a joint venture to deliver and operate the growth hub.

9 Non Current Assets

The authority holds various non current assets which are categorised as property, plant and equipment (PPE), heritage assets, investment property, assets held for sale or intangible assets.

Operational PPE is further categorised into a number of sub categories, namely council dwellings, other land and buildings, vehicles, plant, furniture and equipment, infrastructure assets and community assets. Non operational PPE is categorised as assets under construction and surplus assets.

Properties classified as heritage assets include the Royal Pavilion, the Volks Railway, West Blatchington Windmill and the Rottingdean Windmill. Non property heritage assets include historic motor vehicles, museum and gallery collections and works of art and rare books.

The following table shows the gross carrying amount and the accumulated depreciation at the beginning and end of the reporting period and summarises the movement in value over the reporting period for each sub category of non current assets:

2014/15	**Council Dwellings**	**Other Land & Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Surplus Assets**	**Total PPE**	**Heritage Assets**	**Investment Property**	**Assets Held for Sale (short Term)**	**Intangible Assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	577,673	1,233,812	45,846	173,064	7,925	6,834	3,001	**2,048,155**	216,857	43,069	0	9,292	**2,317,373**
Accumulated depreciation / amortisation	(7,855)	(62,838)	(27,945)	(68,710)	0	0	0	**(167,348)**	0	0	0	(6,865)	**(174,213)**
Net Carrying Amount at 1 April 2014	**569,818**	**1,170,974**	**17,901**	**104,354**	**7,925**	**6,834**	**3,001**	**1,880,807**	**216,857**	**43,069**	**0**	**2,427**	**2,143,160**
Capital Additions													
Additions	27,977	10,616	5,472	12,478	40	1,119	0	**57,702**	88	0	0	820	**58,610**
Asset Disposals													
Derecognition - disposals	(2,566)	(930)	(672)	0	0	0	0	**(4,168)**	0	0	0	0	**(4,168)**
Derecognition - disposals (depreciation)	35	75	530	0	0	0	0	**640**	0	0	0	0	**640**
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve													
Revaluation increases	78	105,545	0	0	0	0	0	**105,623**	9	0	0	0	**105,632**
Revaluation losses	0	(16,306)	0	0	0	0	0	**(16,306)**	(1,111)	0	0	0	**(17,417)**
Impairment losses	0	(866)	0	0	0	0	0	**(866)**	0	0	0	0	**(866)**
Transactions charged to the surplus / deficit on the provision of services in the CIES													
Reversal of previous revaluation losses and impairment losses	50,840	8,629	0	0	0	0	0	**59,469**	0	0	0	0	**59,469**
Depreciation/amortisation charge	(8,193)	(23,410)	(3,319)	(8,605)	0	0	0	**(43,527)**	0	0	0	(1,057)	**(44,584)**
Revaluation losses	0	(3,546)	0	0	0	0	0	**(3,546)**	0	0	0	0	**(3,546)**
Impairment losses	(740)	(4,181)	0	0	0	(322)	0	**(5,243)**	0	0	0	0	**(5,243)**
Revaluation of investment property	0	0	0	0	0	0	0	**0**	0	923	0	0	**923**
Other transactions													
Assets reclassified	0	4,217	5	156	0	(5,992)	1,434	**(180)**	0	0	180	0	**0**
Net Carrying Amount at 31 March 2015	**637,249**	**1,250,817**	**19,917**	**108,383**	**7,965**	**1,639**	**4,435**	**2,030,405**	**215,843**	**43,992**	**180**	**2,190**	**2,292,610**
Gross carrying amount	645,443	1,284,150	50,651	185,697	7,965	1,639	4,466	**2,180,011**	215,843	43,992	180	10,112	**2,450,138**
Accumulated depreciation / amortisation	(8,194)	(33,333)	(30,734)	(77,314)	0	0	(31)	**(149,606)**	0	0	0	(7,922)	**(157,528)**
Net Carrying Amount at 31 March 2015	**637,249**	**1,250,817**	**19,917**	**108,383**	**7,965**	**1,639**	**4,435**	**2,030,405**	**215,843**	**43,992**	**180**	**2,190**	**2,292,610**

2013/14 Comparative Figures	**Council Dwellings**	**Other Land & Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Surplus Assets**	**Total PPE**	**Heritage Assets**	**Investment Property**	**Assets Held for Sale (short Term)**	**Intangible Assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	537,036	1,206,995	42,527	160,227	7,925	12,845	10,904	**1,978,459**	210,807	43,398	1,211	9,542	**2,243,417**
Accumulated depreciation / amortisation	(7,439)	(62,773)	(25,625)	(60,796)	0	0	(790)	**(157,423)**	0	0	0	(6,595)	**(164,018)**
Net Carrying Amount at 1 April 2013	**529,597**	**1,144,222**	**16,902**	**99,431**	**7,925**	**12,845**	**10,114**	**1,821,036**	**210,807**	**43,398**	**1,211**	**2,947**	**2,079,399**
Capital Additions													
Additions	28,186	21,874	3,675	12,139	0	6,417	0	**72,291**	109	0	0	600	**73,000**
Asset Disposals													
Derecognition - disposals	(6,104)	(17,153)	(1,021)	0	0	0	0	**(24,278)**	0	0	(1,211)	(831)	**(26,320)**
Derecognition - disposals (depreciation)	75	547	960	0	0	0	0	**1,582**	0	0	0	831	**2,413**
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve													
Revaluation increases	64	53,357	0	0	0	0	0	**53,421**	7,820	0	0	0	**61,241**
Depreciation written out	0	262	0	0	0	0	0	**262**	0	0	0	0	**262**
Revaluation losses	0	(5,214)	0	0	0	0	0	**(5,214)**	(1,879)	0	0	0	**(7,093)**
Impairment losses	0	(1,081)	0	0	0	0	(2,427)	**(3,508)**	0	0	0	0	**(3,508)**
Transactions charged to the surplus / deficit on the provision of services in the CIES													
Reversal of previous revaluation losses and impairment losses	24,799	1,470	0	0	0	0	0	**26,269**	0	0	0	0	**26,269**
Depreciation/amortisation charge	(7,855)	(22,702)	(3,298)	(7,913)	0	0	(395)	**(42,163)**	0	0	0	(1,120)	**(43,283)**
Revaluation losses	(766)	(5,886)	0	0	0	0	0	**(6,652)**	0	0	0	0	**(6,652)**
Impairment losses	(2,823)	(1,808)	0	0	0	0	(4,291)	**(8,922)**	0	0	0	0	**(8,922)**
Revaluation of investment property	0	0	0	0	0	0	0	**0**	0	(3,644)	0	0	**(3,644)**
Other transactions													
Assets reclassified	4,645	3,087	684	697	0	(12,428)	0	**(3,315)**	0	3,315	0	0	**0**
Other movements in depreciation	0	(1)	(1)	0	0	0	0	**(2)**	0	0	0	0	**(2)**
Net Carrying Amount at 31 March 2014	**569,818**	**1,170,974**	**17,901**	**104,354**	**7,925**	**6,834**	**3,001**	**1,880,807**	**216,857**	**43,069**	**0**	**2,427**	**2,143,160**
Gross carrying amount	577,673	1,233,812	45,846	173,064	7,925	6,834	3,001	**2,048,155**	216,857	43,069	0	9,292	**2,317,373**
Accumulated depreciation / amortisation	(7,855)	(62,838)	(27,945)	(68,710)	0	0	0	**(167,348)**	0	0	0	(6,865)	**(174,213)**
Net Carrying Amount at 31 March 2014	**569,818**	**1,170,974**	**17,901**	**104,354**	**7,925**	**6,834**	**3,001**	**1,880,807**	**216,857**	**43,069**	**0**	**2,427**	**2,143,160**

Summary of Transactions for Heritage Assets

The following table shows a summary of the transactions on heritage assets in the reporting period and the four previous reporting periods:

Summary of Transactions on Heritage Assets					
	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Cost of acquisitions					
Royal Pavilion	159	0	64	109	36
Collections	0	219	0	0	0
Volks Railway	21	6	7	0	52
Total Cost of Acquisitions	**180**	**225**	**71**	**109**	**88**
Value of assets acquired by donation					
Collections	0	0	156	0	0
Total Value of Assets Acquired by Donation	**0**	**0**	**156**	**0**	**0**
Total Carrying Amount of Assets Disposed	**0**	**0**	**0**	**0**	**0**
Proceeds Received for Assets Disposed	**0**	**0**	**0**	**0**	**0**
Total Impairments Recognised	**0**	**0**	**0**	**0**	**0**
Carrying amount as at 31 March					
Royal Pavilion	143,124	147,413	169,406	174,531	173,456
Collections	31,280	31,426	32,909	31,030	31,030
West Blatchington Windmill	803	827	852	869	872
Rottingdean Windmill	424	437	450	459	461
Rare Books	5,000	5,000	5,250	8,000	8,000
Volks Railway	1,770	1,698	1,940	1,968	2,024
Total Carrying Amount as at 31 March	**182,401**	**186,801**	**210,807**	**216,857**	**215,843**

Valuations

Land and building valuations are based upon valuation reports issued by the authority's valuers. The valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The authority requires that all valuers are RICS qualified.

Property, Plant and Equipment (PPE)

The authority carries out a rolling programme for revaluing its PPE assets (excluding council dwellings) that ensures that all PPE assets required to be measured at fair value are revalued at least every five years. Valuations are carried out by the authority's internal valuers and by Cluttons and Smiths Gore, independent property managing companies. The valuation of the authority's council dwellings is carried out annually by Savills UK Ltd.

The following table shows the progress of the authority's rolling programme for the revaluation of PPE assets:

Rolling Programme for the Revaluation of Property, Plant and Equipment								
	Council Dwellings	**Other Land & Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Surplus Assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Valued at historical cost	0	0	50,651	185,697	7,965	1,639	0	**245,952**
Valued at fair value as at:								
31 March 2015	645,443	860,682	0	0	0	0	1,283	**1,507,408**
31 March 2014	0	87,975	0	0	0	0	183	**88,158**
31 March 2013	0	97,172	0	0	0	0	0	**97,172**
31 March 2012	0	113,577	0	0	0	0	3,000	**116,577**
31 March 2011	0	98,506	0	0	0	0	0	**98,506**
Capital investment	0	26,238	0	0	0	0	0	**26,238**
Gross carrying amount	**645,443**	**1,284,150**	**50,651**	**185,697**	**7,965**	**1,639**	**4,466**	**2,180,011**
Accumulated depreciation	(8,194)	(33,333)	(30,734)	(77,314)	0	0	(31)	**(149,606)**
Net carrying amount	**637,249**	**1,250,817**	**19,917**	**108,383**	**7,965**	**1,639**	**4,435**	**2,030,405**

Note: the capital investment in the above table relates to capital investment on assets which have not been revalued since the capital investment was incurred.

Heritage Assets

The valuations for all heritage assets are based on insurance valuations. The assets are insured by Zurich Insurance Ltd and are based on a 1 November valuation date.

The valuation of the Volks Railway forms part of the authority's rolling programme; however, the valuation is uplifted in line with the authority's insurer's recommendations.

Investment Property

Investment property is revalued annually; these valuations are carried out by the authority's internal valuers and by Cluttons and Smiths Gore, independent property managing companies.

The majority of the authority's assets which are classified as investment properties are leased out under short term operating leases. These properties are used by the lessees for retail and commercial purposes.

Useful Lives

Assets of the same type generally have the same life but there are exceptions for specific assets. Operational buildings and surplus assets are generally valued with a life of either 20 or 50 years as advised by the authority's valuers. The asset life of council dwellings is set at 60 years. Asset lives for vehicles, plant, furniture and equipment are generally set at between five and ten years depending on the nature of the asset. The asset life for infrastructure assets is set at 20 years.

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

All intangible assets have been assessed as having a finite useful life, based on assessments of the period that the intangible assets are expected to be of use to the authority. The useful lives applied are generally between three and ten years depending on the nature of the intangible asset.

Impairment and Revaluation Losses

As part of the annual inspection and ongoing management of its property portfolio, the authority makes an assessment of the impact of obsolescence, physical damage and changes of use which could affect asset values. There were no significant impairment losses on non current assets recognised during the reporting period.

During the period, the authority has recognised a significant revaluation loss on non current assets of £3.413m in respect of the Lanes car park in Bartholomew Square which was charged to the revaluation reserve.

These revaluation losses occurred as a result of the revaluation of the assets in accordance with the authority's asset revaluation policy and the assets are held at their value in use.

Contractual Commitments

At 31 March 2015, the authority had entered into the following contractual commitments in respect of non current assets:

Contractual Commitments in respect of Non Current Assets

Scheme Name	Description	Total £'000
Council Dwellings		
Housing stock programme	Council dwellings works	8,783
Other Land and Buildings		
Highways	Local transport plan works	865
Social services buildings	External improvements work	37
Legionella works	Various sites	44
Workstyles	Various building works	3,013
Vehicles, Plant, Furniture and Equipment		
Equipment	Traffic control centre and provision / installation of traffic camera equipment (CCTV)	125
Equipment	Telecare	2
Equipment	ICT core infrastructure	169
Equipment	Internal customer access to information	8
Equipment	Customer experience management system	7

Income and Expenses in respect of Investment Property

The authority lets properties in its investment portfolio at the full market rent achievable on the basis of the leases granted. The authority received £3.078m of income in relation to investment properties in 2014/15 (£3.166m 2013/14). No revenue expenditure was incurred in relation to investment properties.

Intangible Assets acquired by way of a Government Grant

In 2014/15, the authority received grant funding of £0.599m (£0.112m 2013/14) to fund the acquisition of intangible assets in respect of ICT systems.

HRA Non Current Assets

The authority makes a local assessment of its capital spending needs to determine the amount to be paid into the Major Repairs Reserve; this assessment is based on the amount which needs to be set aside for depreciation, namely the cost of replacing or renewing all the components of the council dwellings plus an amount for the fabric of the building.

To assist local authorities in the change to the statutory accounting arrangements brought about by the introduction of self financing in April 2012, allow time for the new calculations to be assessed and evaluated and also allow time to move to depreciation, revaluation and impairment losses being real charges to the HRA and impacting on the HRA balance, regulations were introduced under the Item 8 Determination to allow a five year transition period (April 2012 to March 2017) whereby the authority is able to:

- use a notional Major Repairs Allowance (MRA) figure as a measure of the assessment for depreciation, which is equal to the assumption about the need to spend on major repairs used in the self financing valuation for the respective reporting period;
- utilise a credit transfer for any excess of council dwellings depreciation above an amount equal to the notional MRA;
- reverse revaluation and impairment losses on council dwellings out of the HRA where the HRA revaluation reserve cannot meet the loss.

The authority has opted to use the transitional arrangements in respect of revaluation and impairment losses. However, as the 2013/14 actual depreciation charge is lower than the notional major repairs allowance, the authority has not applied an adjusting credit transfer in respect of depreciation. Transitional arrangements only apply to HRA council dwellings; these charges are not notional and have a real impact on HRA finances.

The following table shows the gross carrying amount and the accumulated depreciation at the beginning and end of the reporting period and summarises the movement in value over the reporting period for HRA non current assets:

	Council Dwellings	**Other Land & Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Assets Under Construction**	**Total PPE**	**Investment Properties**	**Intangible Assets**	**Total**
2014/15	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	577,673	16,814	858	236	**595,581**	156	460	**596,197**
Accumulated depreciation/amortisation	(7,855)	(679)	(674)	0	**(9,208)**	0	(260)	**(9,468)**
Net Carrying Amount at 1 April 2014	**569,818**	**16,135**	**184**	**236**	**586,373**	**156**	**200**	**586,729**
Capital additions								
Additions	27,977	185	0	852	**29,014**	0	11	**29,025**
Asset disposals								
Derecognition - disposals	(2,566)	(37)	0	0	**(2,603)**	0	0	**(2,603)**
Derecognition - disposals (depreciation)	35	1	0	0	**36**	0	0	**36**
Transactions in respect of the surplus on revaluation of non current assets within the HRA Income and Expenditure Statement								
Revaluation increases	78	1,135	0	0	**1,213**	0	0	**1,213**
Revaluation losses	0	(178)	0	0	**(178)**	0	0	**(178)**
Impairment losses	0	(223)	0	0	**(223)**	0	0	**(223)**
Transactions charged to the surplus / deficit on the Provision of services within the HRA Income and Expenditure Statement								
Reversal of previous revaluation losses	50,840	10	0	0	**50,850**	0	0	**50,850**
Depreciation/amortisation charge	(8,193)	(292)	(81)	0	**(8,566)**	0	(86)	**(8,652)**
Revaluation losses	0	(158)	0	0	**(158)**	0	0	**(158)**
Impairment losses	(740)	(306)	0	0	**(1,046)**	0	0	**(1,046)**
Revaluation of investment property	0	0	0	0	**0**	5	0	**5**
Net Carrying Amount at 31 March 2015	**637,249**	**16,272**	**103**	**1,088**	**654,712**	**161**	**125**	**654,998**
Gross carrying amount	645,443	16,772	858	1,088	**664,161**	161	471	**664,793**
Accumulated depreciation/amortisation	(8,194)	(500)	(755)	0	**(9,449)**	0	(346)	**(9,795)**
Net Carrying Amount at 31 March 2015	**637,249**	**16,272**	**103**	**1,088**	**654,712**	**161**	**125**	**654,998**

2013/14 Comparative Figures	**Council Dwellings**	**Other Land & Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Assets Under Construction**	**Total PPE**	**Investment Properties**	**Intangible Assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	537,036	16,896	846	4,598	**559,376**	166	428	**559,970**
Accumulated depreciation/amortisation	(7,439)	(693)	(631)	0	**(8,763)**	0	(178)	**(8,941)**
Net Carrying Amount at 1 April 2013	**529,597**	**16,203**	**215**	**4,598**	**550,613**	**166**	**250**	**551,029**
Capital additions								
Additions	28,186	19	12	283	**28,500**	0	32	**28,532**
Asset disposals								
Derecognition - disposals	(6,104)	(189)	0	0	**(6,293)**	0	0	**(6,293)**
Derecognition - disposals (depreciation)	75	35	0	0	**110**	0	0	**110**
Transactions in respect of the surplus on revaluation of non current assets within the HRA Income and Expenditure Statement								
Revaluation increases	64	581	0	0	**645**	0	0	**645**
Depreciation written out	0	262	0	0	**262**	0	0	**262**
Revaluation losses	0	(347)	0	0	**(347)**	0	0	**(347)**
Transactions charged to the surplus / deficit on the Provision of services within the HRA Income and Expenditure Statement								
Reversal of previous revaluation losses	24,799	0	0	0	**24,799**	0	0	**24,799**
Depreciation/amortisation charge	(7,855)	(291)	(43)	0	**(8,189)**	0	(82)	**(8,271)**
Revaluation losses	(766)	(36)	0	0	**(802)**	0	0	**(802)**
Impairment losses	(2,823)	0	0	0	**(2,823)**	0	0	**(2,823)**
Revaluation of investment property	0	0	0	0	**0**	(10)	0	**(10)**
Other transactions								
Assets reclassified	4,645	(102)	0	(4,645)	**(102)**	0	0	**(102)**
Net Carrying Amount at 31 March 2014	**569,818**	**16,135**	**184**	**236**	**586,373**	**156**	**200**	**586,729**
Gross carrying amount	577,673	16,814	858	236	**595,581**	156	460	**596,197**
Accumulated depreciation/amortisation	(7,855)	(679)	(674)	0	**(9,208)**	0	(260)	**(9,468)**
Net Carrying Amount at 31 March 2014	**569,818**	**16,135**	**184**	**236**	**586,373**	**156**	**200**	**586,729**

Council Dwellings

The authority was responsible for managing 11,670 council dwellings at 31 March 2015 (11,733 at 31 March 2014) made up as follows:

Council Dwellings						
	0 Bed	**1 Bed**	**2 Bed**	**3 Bed**	**4+ Bed**	**Total**
2014/15						
Bedsits	680	0	0	0	0	680
Bungalows	26	174	27	21	1	249
Flats	0	3,373	2,882	193	0	6,448
Houses	0	10	1,455	2,393	268	4,126
Maisonettes	0	0	99	62	6	167
Total	**706**	**3,557**	**4,463**	**2,669**	**275**	**11,670**
2013/14						
Bedsits	699	0	0	0	0	699
Bungalows	26	175	31	21	1	254
Flats	1	3,377	2,895	196	0	6,469
Houses	0	10	1,472	2,397	266	4,145
Maisonettes	0	0	98	62	6	166
Total	**726**	**3,562**	**4,496**	**2,676**	**273**	**11,733**

The following table summarises the movement in council dwellings within the reporting period:

Movement in Council Dwellings		
	2013/14	**2014/15**
Stock at 1 April	11,858	11,733
Sales	(76)	(52)
Transferred to Brighton & Hove Seaside Community Homes Ltd	(65)	0
Conversions	16	(11)
Stock at 31 March	**11,733**	**11,670**

Note: The 2014/15 conversions included 13 council dwellings that have been deactivated pending redevelopment and two new conversions.

The authority has removed £2.531m of council dwellings net book asset values from its Balance Sheet in respect of the movements detailed in the above table.

The vacant possession value in respect of council dwellings at 1 April 2015 was £2,017m as valued by the valuers, Savills UK Ltd, compared with the value of £645m for its existing use as social housing. The difference of £1,372m represents the cost to the government of providing council housing at less than open market rents.

Housing Local Delivery Vehicle

Brighton & Hove Seaside Community Homes Ltd is a not for profit charitable company set up and funded by a third party independent to the authority as a local delivery vehicle to raise investment for improvements to council dwellings. The company was incorporated in March 2009 and will lease 499 empty properties from the authority taking them on over a five year period starting from November 2011. A total of 416 properties have transferred as at the end of the reporting period; 150 transferred in 2011/12, 201 transferred in 2012/13 and 65 transferred in 2013/14. There were no further transfers in 2014/15; the remaining properties will be transferred during 2015/16. The properties are let to homeless households and people with particular needs nominated by the authority.

10 Capital Investment and Capital Financing

The authority had £74.636m of capital investment in 2014/15. The table below shows the total amount of capital investment analysed for each category of non current asset together with the resources that have been used to finance the capital investment:

Capital Investment and Capital Financing		
	2013/14	2014/15
	£'000	£'000
Capital investment		
Property, plant and equipment	72,291	57,702
Heritage assets	109	88
Intangible assets	600	820
Revenue expenditure funded from capital under statute	8,567	6,640
Long term investments	0	25
Long term debtor - i360 project	0	9,241
Current intangible asset - Carbon Reduction Commitment	0	120
Total Capital Investment	**81,567**	**74,636**
Sources of finance		
Capital receipts	(5,211)	(4,371)
Capital grants and contributions	(36,513)	(27,877)
Major repairs reserve (HRA)	(8,271)	(8,652)
Reserves	(2,181)	(4,109)
HRA balance	(1,500)	(500)
Revenue contributions	(16,473)	(14,515)
Unsupported borrowing	(11,418)	(14,612)
Total Financing	**(81,567)**	**(74,636)**

The authority's capital financing requirement represents capital investment historically that is funded from borrowing which will be repaid in future reporting periods. In the reporting period, £14.612m of capital investment was financed through unsupported borrowing (i.e. not supported by the Government) and therefore impacted on the authority's capital financing requirement. Where capital investment is funded by borrowing, a charge is made to revenue as non current assets are used by the authority. The following table shows the authority's capital financing requirement position:

Opening Capital Financing Requirement	**341,827**	**336,246**
Explanation of movements in capital financing requirement		
Increase in underlying need to borrow (unsupported by government financial assistance)	11,418	14,612
Repayment of loans (MRP)	(16,999)	(16,434)
Increase / (Decrease) in Capital Financing Requirement	**(5,581)**	**(1,822)**
Closing Capital Financing Requirement	**336,246**	**334,424**

A reconciliation of the capital financing requirement to the Balance Sheet is shown in the table below:

	2013/14	2014/15
	£'000	£'000
The capital financing requirements reflects the following Balance Sheet Items:		
Non current assets	2,143,160	2,292,610
Adjustment to non current assets for revaluation losses on HRA non dwelling assets charged to the HRA balance under HRA self financing	46	497
Long term debtors	451	9,810
Long term investments	0	25
Capital adjustment account	(1,208,911)	(1,289,703)
Revaluation reserve	(598,500)	(678,815)
Total	**336,246**	**334,424**

Minimum Revenue Provision (MRP)

The authority 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 reporting period. The annual statement was approved by Budget Council on 3 March 2015.

In the case of finance leases and on Balance Sheet PFI contracts, the MRP requirement is 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 reporting period. The following table shows the amount set aside from revenue:

Minimum Revenue Provision

	2013/14	2014/15
	£'000	£'000
Supported debt (debt where central government provide revenue support)	6,556	6,402
Unsupported debt (debt where no central government support is received)	8,708	4,289
HRA unsupported debt	0	3,900
Charge equal to write down on PFI liabilities	1,735	1,843
Total Amount Set Aside from Revenue	**16,999**	**16,434**

HRA Capital Investment and Financing

The authority had £29.025m of capital investment in respect of the HRA in 2014/15. The table below shows the resources that have been used to finance the capital investment:

HRA Capital Investment and Financing

	2013/14 Total	2014/15 Total
	£'000	£'000
Capital investment	28,532	29,025
Total Capital Investment	**28,532**	**29,025**
Major repairs reserve	(8,271)	(8,652)
Revenue contributions	(13,656)	(13,390)
Reserves	(999)	(3,057)
HRA balance	(1,500)	(500)
Capital receipts	(2,966)	(3,306)
Capital grants and contributions	(1,138)	(120)
GF balance	(2)	0
Total Funding	**(28,532)**	**(29,025)**

The following table shows a summary of the total capital receipts received in the reporting period in respect of the HRA:

HRA Capital Receipts		
	2013/14	2014/15
	£'000	£'000
Right to buy sales of houses and flats	6,547	4,816
Sale of land and other property	149	0
Mortgages repayments	11	6
Transferred properties to Brighton & Hove Seaside Community Homes Ltd	3,163	0
Total	**9,870**	**4,822**

11 Financial Assets and Liabilities – Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried on the Balance Sheet:

Categories of Financial Instruments				
	Long Term		Short Term	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	0	0	52,545	40,943
Available for sale financial assets	0	0	25,287	29,010
Unquoted equity investments	0	25	0	0
Total Investments	**0**	**25**	**77,832**	**69,953**
Debtors				
Loans and receivables	7,542	17,125	0	0
Financial assets carried at contract amounts	0	0	29,219	32,488
Total Debtors	**7,542**	**17,125**	**29,219**	**32,488**
Borrowings				
Financial liabilities at amortised cost	(200,148)	(206,156)	(15,366)	(13,180)
Total Borrowings	**(200,148)**	**(206,156)**	**(15,366)**	**(13,180)**
Creditors				
Financial liabilities carried at contract amounts	0	0	(40,803)	(40,855)
Total Creditors	**0**	**0**	**(40,803)**	**(40,855)**
PFI Liability				
Financial liabilities at amortised cost	(55,841)	(53,915)	(1,842)	(1,926)
Total PFI Liability	**(55,841)**	**(53,915)**	**(1,842)**	**(1,926)**

Note: The above table includes cash equivalents, bank overdraft, PFI liabilities and finance lease liabilities. Further details on these financial instruments can be found in notes18 and 17 respectively.

Note: The 2013/14 comparative figure for creditors includes £3.556m of non contractual liabilities in respect of pension contributions payable which are not classed as financial liabilities.

Income, Expense, Gains and Losses

The gains and losses in respect of financial instruments that are recognised in the CIES are detailed in the following tables:

Gains and Losses in Respect of Financial Instruments				
	Financial Liabilities	**Financial Assets**		
	Measured at Amortised Cost	**Loans and Receivables**	**Available for Sale Assets**	**Total**
2014/15	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	9,587	0	0	**9,587**
Fee expense	34	5	45	**84**
Total Expense in the Surplus / Deficit on the Provision of Services	**9,621**	**5**	**45**	**9,671**
Interest income	0	(427)	(287)	**(714)**
Fee income	0	(5)	0	**(5)**
Total Income in the Surplus / Deficit on the Provision of Services	**0**	**(432)**	**(287)**	**(719)**
Gains on revaluation	0	0	(1)	**(1)**
Losses on revaluation	0	0	6	**6**
Surplus / Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	**0**	**0**	**5**	**5**
Net (Gain) / Loss for the reporting period	**9,621**	**(427)**	**(237)**	**8,957**

Gains and Losses in Respect of Financial Instruments				
	Financial Liabilities	**Financial Assets**		
	Measured at Amortised Cost	**Loans and Receivables**	**Available for Sale Assets**	**Total**
2013/14 Comparative Figures	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	9,540	0	0	**9,540**
Fee expense	105	20	38	**163**
Total Expense in the Surplus / Deficit on the Provision of Services	**9,645**	**20**	**38**	**9,703**
Interest income	0	(417)	(207)	**(624)**
Fee income	0	(5)	0	**(5)**
Total Income in the Surplus / Deficit on the Provision of Services	**0**	**(422)**	**(207)**	**(629)**
Losses on revaluation	0	0	13	**13**
Surplus / Deficit Arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	**0**	**0**	**13**	**13**
Net (Gain) / Loss for the reporting period	**9,645**	**(402)**	**(156)**	**9,087**

The authority has appointed external cash managers to administer part of the authority's investment portfolio; they invest in specialist markets such as gilts, certificates of deposit and other negotiable financial instruments. There is no change in the valuation of these investments not realised at 31 March 2015.

The authority has a portfolio (£3.5m) of Certificates of Deposit at 31 March 2015. The net loss of £0.005m represents a £0.002m depreciation of the valuation of the Certificate of Deposits at 31 March 2015, and a £0.003m reversal of available for sale interest recognised but not realised in 2013/14.

Fair Value of Financial Assets and Liabilities

Financial assets (represented by loans and receivables), financial liabilities and debtors and creditors 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 financial 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 a financial instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding;
- the fair value of debtors and creditors is taken to be the invoiced or billed amount.

Available for sale financial assets are carried at fair value. These fair values are based on public price quotations where there is an active market for these instruments. The exception to this treatment is:

- The authority's shareholding in the Local Government Bond Agency. The shares are carried at cost of £0.025m and have not been revalued as a fair value cannot be reliably measured. The company was formed in 3 June 2014 and has no established trading history. There are also no other established companies with similar aims whose shares are traded which might provide comparable market data. The authority has no current interest to dispose of the shareholding.

The fair values calculated are as follows:

Financial Liabilities

Financial Liabilities				
	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB borrowing	(131,982)	(161,347)	(137,361)	(194,085)
Market borrowing	(79,580)	(92,746)	(75,926)	(96,158)
Bank overdraft	(3,952)	(3,952)	(1,732)	(1,732)
Other	0	0	(4,317)	(4,317)
Total Borrowing	**(215,514)**	**(258,045)**	**(219,336)**	**(296,292)**
Creditors	(40,803)	(40,803)	(40,855)	(40,855)
PFI liability	(57,684)	(78,227)	(55,841)	(82,137)
Total Financial Liabilities	**(314,001)**	**(377,075)**	**(316,032)**	**(419,284)**

Note: The 2013/14 comparative figure for creditors includes £3.556m of non contractual liabilities in respect of pension contributions payable which are not classed as financial liabilities.

The fair value of financial liabilities is greater than the carrying amount because the authority'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

Financial Assets				
	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	52,545	52,545	40,943	40,943
Available for sale	25,287	25,287	29,010	29,010
Unquoted equity investments	0	0	25	25
Total Investments	**77,832**	**77,832**	**69,978**	**69,978**
Debtors	36,761	36,761	49,613	49,613
Total Financial Assets	**114,593**	**114,593**	**119,591**	**119,591**

Note: the above table includes cash equivalents.

All financial assets in respect of investments are short term at 31 March 2015. The fair value of the loans and receivables investments are therefore deemed to be equal to the carrying amount.

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

The authority'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 authority;
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments;
- refinancing and maturity risk – the possibility that the authority 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 authority's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the authority 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 authority to manage risk in the following ways:

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

The risk management procedures are required to be reported and approved before the start of the new financial year. These items are reported with the annual Treasury Management Strategy (TMS), which outlines the detailed approach to managing risk in relation to the authority's financial instrument exposure. The strategy was approved at Policy & Resources Committee in March 2014 and can be found on the authority's website. Actual performance is also reported annually to members.

The key issues within the 2014/15 strategy were:

- the Authorised Limit was set at £381m. This is the maximum limit of external borrowings and other long term liabilities;
- the Operational Boundary was expected to be £369m. This is the expected level of debt and other long term liabilities during the reporting period;
- the maximum amounts of fixed and variable interest rate exposure based on the authority's gross debt were set at 100% and 40% respectively.

These procedures and strategy are implemented by the Executive Director Finance & Resources through a dedicated treasury management team. The authority maintains principles for overall risk management. The authority also maintains practices set out in the 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 authority's customers. The risk is minimised through the Annual Investment Strategy (AIS) which requires that deposits are not made with banks and financial institutions unless they meet the minimum requirements, in accordance with Fitch, Moody's and Standard & Poors Credit Rating Services. The AIS also considers maximum amounts and time limits with a financial institution in each category. Additional selection criteria are also applied before an investment is made. The AIS was approved at Full Council in March 2014 and a copy of the strategy can be found on the authority's website.

The minimum criteria set out in the 2014/15 AIS for investment counterparties were:

- banks and building societies to have a minimum short term rating of good credit quality;
- building societies to have an asset base in excess of £5 billion;
- money market funds to have a rating equal to "AAA / Aaa" (triple A).

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies (Fitch) and the authority's experience of its customer collection levels over the last five reporting periods, adjusted to reflect current market conditions. The table below is based on actual sums invested whereas the financial assets table disclosed earlier, is based on carrying amounts (i.e. it includes accrued interest and available for sale adjustments).

Potential Exposure to Credit Risk

	Amount at 31 March 2015	Historical Experience of Default	Adjustment for Market Conditions at 31 March 2015	Estimated Maximum Exposure to Default
	£'000	%	%	£'000
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	20,892	0.00%	0.00%	0
AA rated counterparties	25,509	0.02%	0.02%	5
A rated counterparties	22,536	0.09%	0.09%	20
BBB rated counterparties	1,015	0.20%	0.20%	2
Debtors	32,585	8.93%	8.93%	2,909
Total	**102,537**			**2,936**

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

Whilst conditions in international markets continue to raise the overall possibility of default, the authority maintains strict credit criteria for investment counterparties.

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

The authority does not generally allow credit for its customers; however, an element of the outstanding debtors at the Balance Sheet date are past their due date for payment. The following table shows the level of debtors past their due date for payment analysed by age:

Debtors past their due date for Payment		
	31 March 2014	31 March 2015
	£'000	£'000
Less than 3 months	4,397	4,174
Between 3 and 6 months	1,720	1,204
Between 6 and 12 months	2,901	1,963
More than 12 months	5,515	3,413
Total	**14,533**	**10,754**

Liquidity Risk

The authority manages its liquidity position through the risk management procedures mentioned above (the setting and approval of prudential indicators and the approval of the treasury and investment strategies), as well as through comprehensive cash flow management procedures required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The authority 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 local authorities (although it will not provide funding to a local authority whose action is unlawful). The authority 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. Therefore there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The authority 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 authority’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 treasury indicators 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 authority’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;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the authority’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 following two tables show the maturity analysis of financial liabilities and financial assets:

Maturity Analysis of Financial Liabilities		
	31 March 2014	31 March 2015
	£'000	£'000
Less than 1 year	(3,900)	(7,554)
Between 1 and 2 years	(3,000)	(3,244)
Between 2 and 5 years	(5,728)	(4,866)
Between 5 and 10 years	(28,491)	(41,567)
Between 10 and 15 years	(24,369)	(20,580)
More than 15 years	(142,339)	(139,574)
Total	**(207,827)**	**(217,385)**

Maturity Analysis of Financial Assets		
	31 March 2014	31 March 2015
	£'000	£'000
Less than 1 year	77,832	69,953
Total	**77,832**	**69,953**

Note: The figures in the above two tables are based on the original principal borrowed or lent and not the amortised or carrying amount. Debtors, creditors, PFI liabilities and finance lease liabilities are not included in the table above.

Market Risk

Interest rate risk

The authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority, 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:

- borrowings at variable rates - the interest expense charged to the CIES will rise;
- borrowings at fixed rates - for long term borrowings the fair value of the liabilities will fall (no impact on revenue balances);
- investments at variable rates - the interest income credited to the CIES will rise;
- investments at fixed rates - for long term investments the fair value of the assets will fall (no impact on revenue).

All financial instruments held at 31 March 2015 are held at fixed rate. Therefore any changes in interest rates will not impact on the interest received or expensed in the CIES.

All financial liabilities and financial assets held as loans and receivables at 31 March 2015 are carried at amortised cost, and thus movement in fair value due to changes in interest rates are not recognised in the CIES.

Financial assets held as available for sale at 31 March 2015 are held at fair value. Any change in fair value as a result of interest rate changes will be reflected in the CIES.

The authority has a number of strategies for managing interest rate risk. The annual TMS draws together the authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy 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 reporting period to adjust exposures appropriately.

At 31 March 2015 the authority 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 CIES.

However, a 1% rise in interest rates would have the impact of decreasing the fair value of the financial liabilities by £43.1m (no impact of the CIES). A 1% rise in interest rates would have no impact on the fair value of investments, as investments are all held 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" earlier in this disclosure.

Price risk

The authority does not generally invest in equity shares or marketable bonds.

The authority supported the creation of a Local Government Bond Agency which will seek to raise capital funding for local authorities at preferential rates. The authority has a £0.025m equity investment in the Local Government Bonds Agency through the purchase of a shareholding in the company. This investment is held at cost, and the value will be reviewed once more information becomes available as the Agency develops.

12 Debtors

The following table shows an analysis of the authority's short term debtors:

Short Term Debtors		
	31 March 2014	31 March 2015
	£'000	£'000
Central government bodies	6,957	6,412
Other local authorities	377	1,518
NHS and clinical commissioning bodies	1,246	1,946
Other entities and individuals	31,991	27,732
Total Short Term Debtors	**40,571**	**37,608**

The following table shows an analysis of the authority's long term debtors:

Long Term Debtors		
	31 March 2014	31 March 2015
	£'000	£'000
Finance lease	6,240	6,238
i360 development	0	9,355
Other long term debtors	1,302	1,532
Total Long Term Debtors	**7,542**	**17,125**

13 Creditors

The following table shows an analysis of the authority's short term creditors:

Short Term Creditors		
	31 March 2014	31 March 2015
	£'000	£'000
Central government bodies	(22,216)	(17,808)
Other local authorities	(7,879)	(4,902)
NHS and clinical commissioning bodies	(878)	(1,747)
Public corporations and trading funds	(93)	(123)
Other entities and individuals	(43,674)	(47,988)
Total Short Term Creditors	**(74,740)**	**(72,568)**

14 Provisions

The authority sets aside amounts as provisions for liabilities of uncertain timing or amount. The following table shows the level of the authority's provisions, split between short term and long term provisions, together with the movement during the reporting period:

Provisions					
		2014/15			
	Balance at 1 April 2014	Additional Provisions Made	Amounts Used	Unused Amounts Reversed	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000
Short Term Provisions					
Accumulated absences	**(4,028)**	(3,850)	4,028	0	**(3,850)**
Other provisions	**(487)**	(382)	275	213	**(381)**
Total	**(4,515)**	**(4,232)**	**4,303**	**213**	**(4,231)**
Long Term Provisions					
Voluntary severance scheme provision	**(825)**	(643)	222	0	**(1,246)**
Business rates appeals provision	**(2,978)**	(468)	1,969	0	**(1,477)**
Other provisions	**(1,438)**	(76)	300	0	**(1,214)**
Total	**(5,241)**	**(1,187)**	**2,491**	**0**	**(3,937)**

Accumulated Absences

This provision relates to employees' accumulated paid absences (e.g. annual leave and flexi leave) that are carried forward for use in future reporting periods if the current reporting period's entitlements are not used in full.

Voluntary Severance Provision

Voluntary Severance is just one of the mechanisms that can help the authority to meet its tough financial targets whilst minimising the risk of compulsory redundancies. The authority has in place a mechanism to incentivise voluntary severance in services required to deliver approved budget savings in 2015/16. The mechanism enables employees to consider leaving their employment in return for an enhanced severance package. Each case is separately reviewed and only approved where pre-set business case parameters are met. This provision will meet the costs of expected severance packages resulting from a review of the staffing impacts of approved savings. Severance packages have not been finalised at the Balance Sheet date and therefore this is an estimate. The staffing impact of the 2014/15 budget savings was not as great as that provided for at 31 March 2014 due to delays in the delivery of some 2014/15 savings and fewer severance packages being required as a result of higher staff turnover and redeployment. Some of this provision therefore needs to be carried through to the provision as at 31 March 2015 which also takes account of the greater staffing impact of 2015/16 savings proposals.

Business Rates Appeals Provision

At the end of the reporting period, the authority has a number of appeals outstanding against the 2005 and 2010 rating lists. If successful, these appeals will result in a reduction in rateable value and the need to refund ratepayers for reduced rates liability in 2014/15 and previous reporting periods. This provision covers the authority's share of the amount that the authority anticipates having to repay to ratepayers in the future following successful appeals against the rating lists. The provision only covers appeals lodged by 31 March 2015 in line with the Chancellor's Budget Autumn Statement.

15 Grants and Contributions

The authority receives a number of grants (both from central government and non government bodies) and contributions, both for revenue and capital purposes.

Government Revenue Grants

Grants received from central government can be either ring fenced for a specific purpose or non ring fenced.

The following table shows the government revenue grants received by the authority and credited to the CIES:

Government Revenue Grants		
	2013/14	2014/15
	£'000	£'000
Non ring fenced government grants credited to taxation and non specific grant income		
Department for Education	(4,857)	(3,983)
Department for Communities and Local Government	(87,506)	(75,014)
Department for Work and Pensions	(3,432)	(2,723)
Department of Health	(217)	(222)
Total	**(96,012)**	**(81,942)**
Ring fenced government grants credited to cost of services		
Department for Education	(165,799)	(172,363)
Department for Communities and Local Government	(4,255)	(3,344)
Department for Work and Pensions	(162,050)	(163,799)
Department for Transport	(1,468)	(1,069)
Department of Health	(18,180)	(18,755)
Other government departments	(1,583)	(1,912)
Total	**(353,335)**	**(361,242)**
Total Government Revenue Grants	**(449,347)**	**(443,184)**

Non Ring Fenced Grants

The significant non ring fenced grants received by the authority from the Department for Communities and Local Government are:

- Revenue Support Grant of £63.442m which can be used by the authority to finance revenue expenditure on any service;
- New Homes Bonus Scheme Grant of £2.671m which is a funding incentive largely to facilitate the authority in the building of new homes in its area and bring empty homes back into use;
- PFI Grant of £3.003m which is in respect of the authority's PFI projects which have become operational;
- NDR Top up Grant of £1.611m which is paid to the authority as its share of locally retained non domestic rates is less than its baseline funding level set by central government.

Ring Fenced Grants

The significant ring fenced grants received by the authority from the Department for Education are:

- Dedicated Schools Grant of £155.665m; note 16 provides further details;
- Pupil Premium Grant of £9.277m which targets additional money at pupils from the most deprived background to help them achieve their full potential;

- Funding for sixth forms of £4.288m which provides funds for the authority's locally maintained sixth form colleges.

The significant ring fenced grants received by the authority from the Department for Work and Pensions (DWP) are in respect of Housing Benefit to reimburse the authority for rent allowances and rent rebates (£162.459m).

The significant ring fenced grant received by the authority from the Department of Health is in respect of the Public Health Grant (£18.695m) which provides the funding for the authority to discharge its public health responsibilities.

Non Government Revenue Grants and Contributions

The following table below shows the non government grants and revenue contributions received by the authority and credited to the appropriate cost of service in the CIES:

Non Government Revenue Grants and Contributions		
	2013/14	**2014/15**
	£'000	**£'000**
Non government grants and revenue contributions credited to cost of services		
Non government grants	(1,282)	(2,327)
Contributions from health	(11,784)	(14,292)
Contributions from other agencies / external bodies	(1,493)	(2,544)
Contributions from other local authorities	(1,716)	(1,506)
Other contributions, donations and sponsorship	(1,656)	(1,815)
Contributions from developers and stakeholders	(430)	(404)
Total Non Government Revenue Grants and Contributions	**(18,361)**	**(22,888)**

Revenue Grants and Contributions with Conditions Attached

The authority has received a number of revenue grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies / property to be returned to the giver if the conditions are not met. These are held within short term creditors on the Balance Sheet until the condition is met.

Capital Grants and Contributions

The authority receives a number of capital grants and external contributions which are used to fund capital investment. The following table shows capital grants and external contributions received by the authority and credited to the taxation and non specific grant income in the CIES:

Capital Grants and Contributions		
	2013/14	**2014/15**
	£'000	**£'000**
Capital grants and contributions credited to taxation and non specific grant income		
Department for Education	(15,292)	(5,062)
Department for Communities and Local Government	(76)	(5,096)
Department for Transport	(8,044)	(10,875)
Department of Health	(524)	(1,032)
Other government departments	(1,219)	(869)
Heritage Lottery Fund	(1,496)	(31)
Contributions from developers and stakeholders	(962)	(321)
Other contributions	(556)	(95)
Total	**(28,169)**	**(23,381)**
Capital grants and contributions credited to cost of services		
Department for Education	(2,229)	(2,528)
Department for Communities and Local Government	(1,197)	(750)
Department of Health	(1,116)	(183)
Other government departments	(6)	(315)
Other contributions	(2,507)	(757)
Total	**(7,055)**	**(4,533)**
Total Capital Grants and Contributions	**(35,224)**	**(27,914)**

Note: the comparative figures in the above table have been updated from that published in the 2013/14 financial statements to correct the analysis of capital grants and contributions.

Capital Grants and Contributions with Conditions Attached

The authority has received a number of capital grants and contributions that are yet to be recognised as income as they have conditions attached to them that will require the monies / property to be returned to the giver if the conditions are not met. The following table shows the balances at the 31 March held as Capital Grants Receipts in Advance on the Balance Sheet:

Capital Grants and Contributions with Conditions attached		
	2013/14	**2014/15**
	£'000	**£'000**
Grants and contributions held under capital grants receipts in advance		
Department for Education	(4,962)	(5,735)
Department for Communities and Local Government	(1,678)	(1,644)
Department for Transport	(1,448)	(78)
Homes and Communities Agency	0	(1,425)
Other government departments	(143)	(35)
Contributions from developers and stakeholders	(4,133)	(5,756)
Other contributions	0	(59)
Total Grants and Contributions with Conditions	**(12,364)**	**(14,732)**

16 Dedicated Schools Grant

The authority's expenditure on schools is funded primarily by grant monies provided by the Department for Education, in the form of the Dedicated Schools Grant (DSG). DSG is a ring fenced specific grant and can only be applied to meet expenditure 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 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 the DSG received:

Dedicated Schools Grant

2014/15	**Central Expenditure**	**Individual Schools Budget (ISB)**	**Total**
	£'000	**£'000**	**£'000**
Final DSG for 2014/15 before academy recoupment	(27,285)	(137,571)	(164,856)
Less academy figure recouped for 2014/15	0	8,468	8,468
Other budget adjustments	844	0	844
Total DSG after academy recoupment for 2014/15	**(26,441)**	**(129,103)**	**(155,544)**
Brought forward from 2013/14	(1,447)	0	(1,447)
Agreed initial budgeted distribution in 2014/15	**(27,888)**	**(129,103)**	**(156,991)**
In year budget adjustments	(104)	104	0
Final budget distribution for 2014/15	**(27,992)**	**(128,999)**	**(156,991)**
Less actual central expenditure	26,548	0	26,548
Less actual ISB deployed to schools	0	128,999	128,999
Private, Voluntary and Independent providers (PVI) to be funded by DSG in 2015/16	(9)	0	(9)
Carry forward to 2015/16	**(1,453)**	**0**	**(1,453)**

Dedicated Schools Grant

2013/14 Comparative Figures	**Central Expenditure**	**Individual Schools Budget (ISB)**	**Total**
	£'000	**£'000**	**£'000**
Final DSG for 2013/14 before academy recoupment	(25,466)	(136,158)	(161,624)
Less academy figure recouped for 2013/14	0	8,814	8,814
Total DSG after academy recoupment for 2013/14	**(25,466)**	**(127,344)**	**(152,810)**
Brought forward from 2012/13	(1,089)	0	(1,089)
Agreed initial budgeted distribution in 2013/14	**(26,555)**	**(127,344)**	**(153,899)**
In year budget adjustments	15	10	25
Final budget distribution for 2013/14	**(26,540)**	**(127,334)**	**(153,874)**
Less actual central expenditure	24,970	0	24,970
Less actual ISB deployed to schools	0	127,334	127,334
Private, Voluntary and Independent providers (PVI) to be funded by DSG in 2014/15	123	0	123
Carry forward to 2014/15	**(1,447)**	**0**	**(1,447)**

17 Leases and Lease Type Arrangements

The authority classifies leases as either finance leases or operating leases.

Authority as Lessee – Finance Leases

The authority has acquired a number of properties under finance leases which are used by the authority for office accommodation and providing education, social care and library services. The terms of these leases range from 125 years to 150 years. The assets acquired under these leases have a value of £11.524m (£20.481m 2013/14) and are carried as PPE on the Balance Sheet categorised as other land and buildings. £9.395m of this decrease relates to Bartholomew House which in previous reporting periods was leased in by the authority; the lease for Bartholomew Square of which Bartholomew House forms part of has been renegotiated in the reporting period.

In the majority of cases, the authority has paid a premium payment at the inception of the lease and pays a peppercorn rent over the lease term.

Authority as Lessee – Operating Leases

The authority has acquired a number of properties by entering into operating leases; these properties are being used for a number of purposes such as office accommodation and providing educational and social care services. The terms of the leases typically range from one to 25 years.

The authority leases in a number of vehicles under operating leases, they are typically short term leases ranging from three to five years in length.

The authority uses a number of properties for temporary accommodation for its clients; these properties are leased to the authority under short term operating leases typically ranging from three to ten years.

The authority leases in a number of equipment assets, under operating leases, which are used in educational establishments. The terms of the leases typically range from three to five years.

The following table shows the future minimum lease payments due under non cancellable operating leases in future reporting periods:

Future Minimum Lease Payments under Operating Leases		
	31 March 2014	**31 March 2015**
	£'000	**£'000**
Not later than one year	12,456	10,607
Later than one year and not later than five years	15,165	17,771
Later than five years	3,254	3,732
Total Future Minimum Lease Payments	**30,875**	**32,110**

The expenditure charged to the relevant cost of service in the CIES in relation to these operating leases was £15.101m (£14.786m 2013/14).

Authority as Lessor - Finance Leases

The authority has leased out a number of properties and land which are used by the lessees for a range of purposes; for example, retail, residential, industrial and recreational purposes. The terms of these leases mainly range from 40 years to 125 years.

There have been no new long term finance leases entered into during the reporting period.

The authority has a gross investment value in the lease being the minimum lease payments expected to be received over the remaining terms. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the authority in future years whilst the debtor remains outstanding. The gross investment in the lease as at the Balance Sheet date is made up of the following amounts:

Gross Investment in Finance Leases		
	31 March 2014	31 March 2015
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):		
• Current	15	16
• Non current	6,225	6,222
Unearned finance income	40,698	39,886
Total Gross Investment in the Leases	**46,938**	**46,124**

Note: As the current debtor for finance leases is not material, the authority has accounted for the whole finance lease debtor as a non current asset in the reporting period.

The following table shows the gross investment in finance leases and the minimum lease payments to be received in future reporting periods:

Gross Investment in Finance Leases and Minimum Lease Payments under Finance Leases				
	Gross Investment in the Lease		Present Value of Minimum Lease Payments	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£'000	£'000	£'000	£'000
Not later than one year	473	473	15	16
Later than one year and not later than five years	2,317	2,305	24	31
Later than five years	44,148	43,346	6,201	6,191
Total	**46,938**	**46,124**	**6,240**	**6,238**

Note: the minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews as these are considered immaterial.

Authority as Lessor – Operating Leases

The authority has leased out a number of its properties and land under operating leases, these properties and land are used by the lessees for a variety of purposes, such as: offices, residential, retail, agricultural, industrial and recreational. The term of these leases is typically one to 30 years.

The following table shows the future minimum lease payments receivable under non cancellable operating leases in future reporting periods are:

Future Minimum Lease Payments under Operating Leases		
	31 March 2014	31 March 2015
	£'000	£'000
Not later than one year	6,964	6,825
Later than one year and not later than five years	19,167	19,216
Later than five years	83,097	92,494
Total Future Minimum Lease Payments	**109,228**	**118,535**

Note: The minimum lease payments receivable do include rents that are contingent on events taking place after the lease was entered into as these are considered immaterial.

The total future minimum lease payments have increased by £9.307m; the majority of this increase is as a result of an increase in the life of the lease for Brighton Marina by 55 years (£7.4m).

18 Private Finance Initiative (PFI) and Similar Contracts

The authority has three PFI arrangements:

- The authority 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 authority negotiated the removal of "soft services" (i.e. caretaking, cleaning, catering, grounds maintenance) and utilities from the schools PFI contract;
- In conjunction with East Sussex County Council, the authority jointly entered into a 25 year agreement for the provision of an integrated waste management service with South Downs Waste Services Ltd (now trading as Veolia ES South Downs Limited). The agreement commenced in April 2003 and has subsequently been extended by a further five years;
- The authority entered into a 25 year contract with NU Library for Brighton Limited for the provision of a new library and library service which commenced in November 2004.

The extent and level of service provided under the schools PFI and library PFI arrangements are consistent year on year, with any major changes subject to contract variation procedures and periodic benchmarking. Payments under these contracts are therefore unlikely to change significantly year on year. The service provided under the waste PFI arrangement is based on volumes and changes to the volumes may well affect the amount payable by the authority.

In all cases the authority has the right to use the assets provided by the PFI contractor and is entitled to receive the services specified within each contract. Each of the PFI contracts contain a payment mechanism whereby the authority only pays for the services it receives. If the PFI contractor fails to provide the service or meet the standards required, the authority is entitled to make deductions from the payments due.

On expiry of the contracts the assets created under the PFI arrangements automatically revert to the authority at nil consideration. Termination of the contracts prior to the expiry is permitted by either party but only in exceptional circumstances and only after a period of negotiation.   There have been no material changes to any of the PFI contracts in the reporting period.

Assets Held under PFI Arrangements

The assets held under the PFI arrangements are recognised on the authority's Balance Sheet. The following table shows the value of assets held and an analysis of the movements in those asset values over the reporting period:

Assets held under PFI Arrangements

2014/15	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Balance as at 1 April 2014				
Gross carrying amount	80,331	52,554	12,436	**145,321**
Accumulated depreciation	(5,304)	(4,352)	(682)	**(10,338)**
Net Carrying Amount at 1 April 2014	**75,027**	**48,202**	**11,754**	**134,983**
Capital additions				
Additions	202	25	0	**227**
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve				
Revaluation increases	4,195	393	0	**4,588**
Transactions charged to the surplus / deficit on the provision of services in the CIES				
Revaluation increases	0	99	125	**224**
Depreciation charge	(1,023)	(1,909)	(341)	**(3,273)**
Net Carrying Amount at 31 March 2015	**78,401**	**46,810**	**11,538**	**136,749**
Comprising				
Gross carrying amount	84,728	53,070	12,560	**150,358**
Accumulated depreciation	(6,327)	(6,260)	(1,022)	**(13,609)**
Net Carrying Amount at 31 March 2015	**78,401**	**46,810**	**11,538**	**136,749**

Assets held under PFI Arrangements

2013/14 Comparative Figures	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Balance as at 1 April 2013				
Gross carrying amount	80,396	52,554	12,436	**145,386**
Accumulated depreciation	(6,873)	(2,443)	(341)	**(9,657)**
Net Carrying Amount at 1 April 2013	**73,523**	**50,111**	**12,095**	**135,729**
Capital additions				
Additions	147	0	0	**147**
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve				
Revaluation increases	2,920	0	0	**2,920**
Revaluation losses	(566)	0	0	**(566)**
Transactions charged to the surplus / deficit on the provision of services in the CIES				
Depreciation charge	(1,215)	(1,909)	(341)	**(3,465)**
Reversal of previous impairment losses	218	0	0	**218**
Net Carrying Amount at 31 March 2014	**75,027**	**48,202**	**11,754**	**134,983**
Comprising				
Gross carrying amount	80,331	52,554	12,436	**145,321**
Accumulated depreciation	(5,304)	(4,352)	(682)	**(10,338)**
Net Carrying Amount at 31 March 2014	**75,027**	**48,202**	**11,754**	**134,983**

The net book value of assets held under the PFI arrangements have been classified under PPE assets as other land and buildings of £135.783m (£133.800m 31 March 2014) and vehicles, plant and equipment of £0.966m (£1.183m 31 March 2014).

Liabilities Resulting from PFI Arrangements

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital investment (or planned for the future) and interest payable whilst the capital investment remains to be reimbursed. The following table shows the value of liabilities outstanding to pay the contractor for capital investment resulting from the PFI arrangements and an analysis of the movement in those liability values over the reporting period:

Liabilities Resulting from PFI Arrangements

	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
2014/15	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2014	**12,398**	**38,882**	**6,403**	**57,683**
Lease repayment	(416)	(1,221)	(205)	(1,842)
At 31 March 2015	**11,982**	**37,661**	**6,198**	**55,841**

Liabilities Resulting from PFI Arrangements

	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
2013/14 Comparative Figures	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2013	**12,787**	**40,039**	**6,592**	**59,418**
Lease repayment	(389)	(1,157)	(189)	(1,735)
At 31 March 2014	**12,398**	**38,882**	**6,403**	**57,683**

The above table includes long term liabilities of £53.915m (£55.841m 2013/14) and short term liabilities of £1.926m (£1.842m 2013/14) at 31 March 2015; the long term liability is included in other long term liabilities on the Balance Sheet and the short term liability included in short term creditors.

Payments Due under PFI Arrangements

The authority makes an agreed payment each reporting period in respect of PFI arrangements; the contractual payments for the schools and waste PFI arrangements are based on a projected annual inflation rate of 2.5%. The contractual payments for the library PFI arrangement 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%.

Schools are responsible for the procurement and payment of “soft services” (i.e. caretaking, cleaning, catering, grounds maintenance) and these costs are therefore not part of the schools PFI arrangement.

The following table details the payments due to be made under the PFI arrangements at 31 March:

Payments Due under PFI Arrangements				
	Repayment of Liability	**Interest Costs**	**Payment for Services**	**Total**
2014/15	**£'000**	**£'000**	**£'000**	**£'000**
Schools PFI Contract				
Within 1 year	461	1,241	1,102	**2,804**
Within 2 to 5 years	2,401	4,444	4,759	**11,604**
Within 6 to 10 years	4,770	3,876	6,811	**15,457**
Within 11 to 15 years	4,350	953	4,536	**9,839**
Total Payments Due - Schools PFI	**11,982**	**10,514**	**17,208**	**39,704**
Waste PFI Contract				
Within 1 year	1,291	2,088	7,799	**11,178**
Within 2 to 5 years	6,000	7,637	33,672	**47,309**
Within 6 to 10 years	7,496	7,829	50,204	**65,529**
Within 11 to 15 years	12,996	4,946	55,652	**73,594**
Within 16 to 20 years	9,878	1,112	37,575	**48,565**
Total Payments Due - Waste PFI	**37,661**	**23,612**	**184,902**	**246,175**
Library PFI Contract				
Within 1 year	218	521	1,720	**2,459**
Within 2 to 5 years	1,093	1,884	7,345	**10,322**
Within 6 to 10 years	1,979	1,750	10,379	**14,108**
Within 11 to 15 years	2,908	765	11,968	**15,641**
Total Payments Due - Library PFI	**6,198**	**4,920**	**31,412**	**42,530**
Total PFI Contracts				
Within 1 year	1,970	3,850	10,621	**16,441**
Within 2 to 5 years	9,494	13,965	45,776	**69,235**
Within 6 to 10 years	14,245	13,455	67,394	**95,094**
Within 11 to 15 years	20,254	6,664	72,156	**99,074**
Within 16 to 20 years	9,878	1,112	37,575	**48,565**
Total Payments Due	**55,841**	**39,046**	**233,522**	**328,409**

Payments Due under PFI Arrangements				
	Repayment of Liability	Interest Costs	Payment for Services	Total
2013/14 Comparative Figures	**£'000**	**£'000**	**£'000**	**£'000**
Schools PFI Contract				
Within 1 year	416	1,283	1,069	**2,768**
Within 2 to 5 years	2,181	4,664	4,602	**11,447**
Within 6 to 10 years	4,298	4,319	6,619	**15,236**
Within 11 to 15 years	5,503	1,532	5,986	**13,021**
Total Payments Due - Schools PFI	**12,398**	**11,798**	**18,276**	**42,472**
Waste PFI Contract				
Within 1 year	1,221	2,151	7,405	**10,777**
Within 2 to 5 years	5,652	7,932	31,499	**45,083**
Within 6 to 10 years	6,977	8,249	46,849	**62,075**
Within 11 to 15 years	12,234	5,613	51,319	**69,166**
Within 16 to 20 years	12,798	1,818	46,495	**61,111**
Total Payments Due - Waste PFI	**38,882**	**25,763**	**183,567**	**248,212**
Library PFI Contract				
Within 1 year	205	539	1,687	**2,431**
Within 2 to 5 years	1,004	1,968	7,234	**10,206**
Within 6 to 10 years	1,824	1,903	10,233	**13,960**
Within 11 to 15 years	2,713	994	11,778	**15,485**
Within 16 to 20 years	659	55	2,586	**3,300**
Total Payments Due - Library PFI	**6,405**	**5,459**	**33,518**	**45,382**
Total PFI Contracts				
Within 1 year	1,842	3,973	10,161	**15,976**
Within 2 to 5 years	8,837	14,564	43,335	**66,736**
Within 6 to 10 years	13,099	14,471	63,701	**91,271**
Within 11 to 15 years	20,450	8,139	69,083	**97,672**
Within 16 to 20 years	13,457	1,873	49,081	**64,411**
Total Payments Due	**57,685**	**43,020**	**235,361**	**336,066**

The payment for services includes lifecycle payments towards the enhancement and maintenance of PFI assets and inflation. Performance deduction is only included in the above table when it has occurred.

19 Contingent Liabilities and Contingent Assets

The authority has a contingent liability in respect of insurance. The authority is unable to identify with any accuracy which insurance claims will become payments in the future. Each individual claim is allocated a reserve at the time the claim is first brought against the authority 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, the ability to successfully defend claims, the proportion of outstanding claims that become litigated, the level of legal fees and the judge presiding over trials.

The authority also has a number of immaterial general legal claims which had not been resolved at the Balance Sheet date.

The authority has a contingent liability in respect of a proposal, from a large national company, received by the VOA (Valuation Office Agency) seeking to merge an assessment on the Brighton & Hove local list into part of a single national assessment. This is not an appeal against the rateable value and there is no indication as to whether the proposal will be accepted or rejected by the VOA. The proposal impacts on the assessments across a number of authorities and if successful there will be one authority gaining business rates for the single assessment whilst all other impacted authorities would have to refund business rates from the removal of the individual assessments from their local lists.

20 Related Parties

The authority is required to disclose material transactions with related parties (i.e. bodies or individuals that have the potential to control or influence the authority or to be controlled or influenced by the authority). Disclosure of these transactions allows readers of the financial statements to assess the extent to which the authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority. The following paragraphs detail the authority's material related party transactions:

Central Government

Central government has significant influence over the general operations of the authority and provides the statutory framework within which the authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills, housing benefits). Details of the general grants and specific grants received from government departments in 2014/15 can be found in note 15. Details of the amounts owed to/from central government are included in notes 12 and 13 respectively.

Levying Authorities

Other public bodies may levy the authority (i.e. make a demand on the council tax requirement). For 2014/15 levies totalled £205,517 (£202,264 2013/14). These costs are included in other operating expenditure within the CIES and include a precept of £41,925 for Rottingdean Parish Council.

Members

Members of the authority have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in note 21. During 2014/15, works and services to the value of £13.232m (£13.489m 2013/14) were commissioned from companies in which members have declared an interest. Contracts were entered into in full compliance with the authority's standing orders. Details of the entities that members are involved with are recorded in the Register of Member's Interests which can be found on the authority's website under each member.

Officers

During 2014/15, the authority provided Chief Finance Officer (S151) and other financial services to the South Downs National Park Authority (SDNPA) on a contractual basis. During 2014/15, the authority received £0.441m (£0.480m 2013/14) in respect of these contractual services. The officers involved in providing S151 and other financial services to SDNPA were not in a position to influence these financial transactions as they were paid in accordance with the agreed contract terms.

Other Public Bodies (subject to common control by central government)

The authority has entered into various Section 75 arrangements with NHS partners for the provision of personal social care, community health and educational services for children and young people, and personal social services and community health care for adults. Transactions in respect of these Section 75 arrangements are detailed in note 29.

Entities Controlled or Significantly Influenced by the Authority

The Sussex Innovation Centre acts as a business incubator and innovation support unit for Sussex and the South East. The authority was a minority shareholder in this company but had no control or influence over the centre. The authority 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 authority 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, until 2034, to indemnify the authority, 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 Dome & Museum Development Company Ltd is a special purpose vehicle set up for the redevelopment of the Brighton Dome and Museum. The authority is a minority (19%) shareholder in this company; Brighton Dome & Festival Ltd is the majority shareholder. The authority was one of the funding partners for the Brighton Dome & Museum Development Company Ltd, 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 authority nominates two members to sit on the board of trustees of Brighton Dome & Festival Ltd. The trustees are also company members and their liability is limited to £1.

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

Brighton & Hove Seaside Community Homes Ltd is a not for profit charitable company set up and funded by a third party independent to the authority as a local delivery vehicle to raise investment for improvements to council dwellings. The company was incorporated in March 2009 and will lease 499 empty properties from the authority taking them on over a five year period starting from November 2011(416 properties transferred as at 31 March 2015). The primary objectives of the company are not confined solely to the dwellings leased from the authority and the company is able, within it's charitable objectives and with the approval of it's primary funder, to undertake new ventures. The properties are let to homeless households and people with particular needs nominated by the authority. The Board membership comprises twelve directors of which the authority may nominate up to four members to serve as directors.

The Brighton Open Market Company was formed in March 2011 for the redevelopment of the Open Market site. The authority has a limited representation of no more than 19% of the member voting rights or Board Directors to avoid controlled company issues and the members have a limited liability of £1 each. The company is a not for profit company and was converted into a Community Interest Company in June 2011.

The authority has supported the creation of a Local Government Bond Agency which will seek to raise capital funding for local authorities at preferential rates. On 29 September 2014 the authority invested £0.025m to buy a shareholding in the company. This investment is shown at the purchase price. The value of the shares will be reviewed as more information becomes available as the Agency develops.

21 Members' Allowances and Expenses

The authority paid the following amounts to members during the reporting period:

Members' Allowances and Expenses		
	2013/14	**2014/15**
	£'000	**£'000**
Allowances	849	850
Expenses	4	6
Total Payments to Members	**853**	**856**

The expenses included in the above table are for expenses claimed by members and paid direct to them; this covers such items as cost of travel and subsistence on approved duties outside the Brighton and Hove City area. Expenses for duties within the city are covered by the allowance paid to members. Details of allowances and expenses paid in 2014/15 are published in a local newspaper and posted on the notice boards outside the town halls in Brighton and Hove and on the authority's website.

22 Officers' Remuneration

The remuneration paid to the authority's senior employees broken down between salaries of £150,000 or more per reporting period and salaries of between £50,000 and £149,999 per reporting period is detailed in the following tables. The definition of a senior employee is provided in the 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, hold a statutory post or have responsibility for the management of the authority with the power to direct or control its major activities, identified by job title within this disclosure.

Senior Employee Remuneration - salary of £150,000 or more per reporting period

Senior Employee Remuneration - salary of £150,000 or more per year						
2013/14	**2014/15**					
Total Remuneration including Pension Contributions	**Post Holder Information**	**Salary (including Fees & Allowances)**	**Expense Allowances**	**Total Remuneration excluding Pension Contributions**	**Pension Contributions**	**Total Remuneration including Pension Contributions**
£		**£**	**£**	**£**	**£**	**£**
177,000	Chief Executive - P Thompson	160,099	0	**160,099**	29,618	**189,717**
177,000	**Total**	**160,099**	**0**	**160,099**	**29,618**	**189,717**

Note: the remuneration received by the Chief Executive in 2014/15 included a payment of £10,099 for returning officer duties; this payment is fully funded from central government.

Senior Employee Remuneration - salary between £50,000 and £149,999 per reporting period

Senior Employee Remuneration - salary between £50,000 and £149,999						
2014/15						
Post Holder Information	**Note**	**Salary (including Fees & Allowances)**	**Compensation for Loss of Office**	**Total Remuneration excluding Pension Contributions**	**Pension Contributions**	**Total Remuneration including Pension Contributions**
		£	**£**	**£**	**£**	**£**
Executive Director Finance & Resources (part year)	1,2	81,402	0	**81,402**	15,481	**96,883**
Executive Director Adult Services		105,000	0	**105,000**	19,425	**124,425**
Executive Director Children's Services		115,000	0	**115,000**	21,275	**136,275**
Director of Public Health		121,015	0	**121,015**	16,942	**137,957**
Executive Director Environment Development & Housing		125,000	0	**125,000**	23,125	**148,125**
Assistant Chief Executive		77,887	0	**77,887**	14,385	**92,272**
Head of Legal and Democratic Services		85,925	0	**85,925**	15,777	**101,702**
Head of Property and Design		75,000	0	**75,000**	13,500	**88,500**
Head of Adults Assessment		75,375	0	**75,375**	0	**75,375**
Assistant Director of Children's Services (Child Health Safeguarding & Care) (part year)	1,3	64,860	41,627	**106,487**	5,368	**111,855**
Head of Housing	4	54,542	0	**54,542**	9,173	**63,715**
Head of Adults Provider		75,375	0	**75,375**	13,921	**89,296**
Head of Transport		85,425	0	**85,425**	15,777	**101,202**
Head of Planning & Public Protection		75,375	0	**75,375**	13,921	**89,296**
Head of City Regeneration		80,400	0	**80,400**	14,849	**95,249**
Head of Financial Services		75,375	0	**75,375**	13,921	**89,296**
Consultant in Public Health Medicine & Deputy Director of Public Health		90,263	0	**90,263**	12,637	**102,900**
Assistant Director of Children's Services (Stronger Families, Youth & Communities)		85,425	0	**85,425**	15,777	**101,202**
Head of Human Resources & Organisational Development		77,887	0	**77,887**	14,385	**92,272**
Head of City Services		76,050	0	**76,050**	13,921	**89,971**
Head of Tourism and Venues		51,575	0	**51,575**	9,541	**61,116**
Head of City Clean and Parks (part year)	1,5	48,111	0	**48,111**	8,878	**56,989**
Head of Commissioning and Partnerships		56,791	0	**56,791**	10,385	**67,176**
Chief Technology Officer		67,838	0	**67,838**	12,529	**80,367**
Total		**1,926,896**	**41,627**	**1,968,523**	**324,893**	**2,293,416**

Note: no expense allowances were paid in the reporting period.

Senior Employee Remuneration - salary between £50,000 and £149,999

2013/14 comparative figures

Post Holder Information	**Note**	**Salary (including Fees & Allowances)**	**Compensation for Loss of Office**	**Total Remuneration excluding Pension Contributions**	**Pension Contributions**	**Total Remuneration including Pension Contributions**
		£	**£**	**£**	**£**	**£**
Executive Director Finance & Resources		105,664	0	**105,664**	23,779	**129,443**
Executive Director Adult Services		105,000	0	**105,000**	18,900	**123,900**
Executive Director Children's Services		86,250	0	**86,250**	15,525	**101,775**
Director of Public Health		121,387	0	**121,387**	16,994	**138,381**
Executive Director Environment Development & Housing		125,000	0	**125,000**	22,500	**147,500**
Assistant Chief Executive		75,000	0	**75,000**	13,500	**88,500**
Head of Legal & Democratic Services		82,500	0	**82,500**	14,850	**97,350**
Head of Property & Design		75,000	0	**75,000**	13,500	**88,500**
Head of Adults Assessment		75,000	0	**75,000**	0	**75,000**
Assistant Director of Children's Services (Child Health Safeguarding & Care)		85,000	0	**85,000**	15,300	**100,300**
Assistant Director of Children's Services (Education & Inclusion)		109,119	0	**109,119**	19,642	**128,761**
Head of Housing		82,500	0	**82,500**	14,850	**97,350**
Head of Adults Provider		72,500	0	**72,500**	13,050	**85,550**
Head of Transport		85,000	0	**85,000**	15,300	**100,300**
Head of Planning & Public Protection		75,000	0	**75,000**	13,500	**88,500**
Head of City Regeneration		77,500	0	**77,500**	13,950	**91,450**
Head of Financial Services		75,000	0	**75,000**	13,500	**88,500**
Consultant in Public Health Medicine & Deputy Director of Public Health		90,263	0	**90,263**	12,637	**102,900**
Assistant Director of Children's Services (Stronger Families, Youth & Communities)		85,000	0	**85,000**	15,300	**100,300**
Head of Human Resources & Organisational Development		75,000	0	**75,000**	13,500	**88,500**
Head of City Services		77,917	0	**77,917**	14,025	**91,942**
Head of Tourism and Leisure (part year)	1	56,250	34,615	**90,865**	10,125	**100,990**
Head of City Infrastructure (part year)	1	51,000	0	**51,000**	9,180	**60,180**
Head of Commissioning & Partnerships		54,953	0	**54,953**	9,892	**64,845**
Chief Technology Officer		64,961	0	**64,961**	11,693	**76,654**
Total		**2,067,764**	**34,615**	**2,102,379**	**354,992**	**2,457,371**

Note: no expense allowances were paid in the reporting period.

Notes to the "Senior Employee Remuneration - salary between £50,000 and £149,999 per reporting period" table:

1. In cases where the post holder was in post for less than a full year, the proportion of their remuneration relating to the reporting period in post has been disclosed in the table above. Their full time equivalent remuneration meets the disclosure requirements.
2. The Executive Director Finance & Resources resigned with effect from 4 January 2015. The post was covered by an interim from 1 December 2014 extending beyond the end of the reporting period; these cover arrangements have been excluded from this disclosure.
3. The Assistant Director of Children's Services (Child Health Safeguarding & Care) resigned with effect from 3 August 2014. The post had additional temporary cover arrangements in place on a consultancy basis from 1 November 2013 to 30 October 2014; these cover arrangements have been excluded from this disclosure. The post of Assistant Director of Children's Services (Child Health Safeguarding & Care) was subsequently appointed on a permanent basis with effect from 1 November 2014.
4. The Head of Housing was dismissed, following a period of suspension and investigation, with effect from 21 November 2014. The post had additional temporary cover arrangements on an interim consultancy basis throughout the reporting period; these cover arrangements have been excluded from this disclosure.
5. The Head of City Clean and Parks was appointed with effect from 4 August 2014. Prior to this the post was covered on a temporary interim consultancy basis; these cover arrangements have been excluded from this disclosure.

Other Employee Remuneration

The following table provides an analysis of the remuneration paid to other employees receiving more than £50,000 remuneration (excluding employer's pension contributions):

	2013/14	2014/15
Remuneration Band	**Number of Employees**	**Number of Employees**
£50,000 - £54,999	82	64
£55,000 - £59,999	41	63
£60,000 - £64,999	28	18
£65,000 - £69,999	19	14
£70,000 - £74,999	9	14
£75,000 - £79,999	2	4
£80,000 - £84,999	2	3
£85,000 - £89,999	3	2
£90,000 - £94,999	0	2
£95,000 - £99,999	1	0
£100,000 - £104,999	0	1
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	1	0
£130,000 - £134,999	0	1

Note: the comparative figures in the above table have been updated from that published in the 2013/14 financial statements to remove the employees at voluntary aided schools.

23 Termination Benefits including Exit Packages

The authority terminated the contracts of a number of employees during 2014/15, incurring liabilities of £0.780m (£2.397m 2013/14). The figures in the table below include £0.691m in respect of termination benefits and £0.089m in respect of other exit packages and associated costs. These amounts were paid to employees, employed across different services within the authority. Within the sum of £0.780m, amounts of £0.222m were paid from the provision made in 2013/14 which was charged to the CIES in 2013/14; the balance of £0.558m was charged to the CIES in 2014/15.

The authority made a further provision of £0.643m charged to the CIES in 2014/15. As a result, the authority had a total provision of £1.246m as at 31 March 2015 in respect of committed payments for voluntary redundancy packages payable to 74 officers.

The following table shows the numbers of exit packages with the total cost per band and total cost of the compulsory and other redundancies:

Exit Packages								
Exit Package Cost Band (including special payments)	**Number of Compulsory Redundancies**		**Number of Other Departures Agreed**		**Total Number of Exit Packages by Cost Band**		**Total Cost of Exit Packages in Each Band**	
	2013/14	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**
							£'000	**£'000**
£0 - £20,000	0	0	177	49	**177**	**49**	1,353	328
£20,001 - £40,000	0	1	30	14	**30**	**15**	831	452
£40,001 - £150,000	0	0	4	0	**4**	**0**	213	0
Total included in Bandings	**0**	**1**	**211**	**63**	**211**	**64**	**2,397**	**780**

Note: the costs included in the above table include voluntary redundancies, early retirement pension costs and pay in lieu of notice.

24 Pension Schemes accounted for as Defined Contribution Schemes

Teachers employed by the authority are members of the Teachers' Pensions Scheme, administered by the Teachers' Pensions service on behalf of the Department for Education, and Public Health employees employed by the authority are members of the NHS Pension Scheme, administered by the NHS Business Service Authority on behalf of the NHS. The schemes provide employees with specified benefits upon their retirement and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

These schemes are technically defined benefit schemes. However, the schemes are unfunded and the administering authorities use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The authority is not able to identify its share of the underlying financial position and performance of the schemes with sufficient reliability for accounting purposes. For the purpose of the financial statements, the schemes are therefore accounted for on the same basis as defined contribution schemes.

In 2014/15, the authority paid £9.001m (£8.930m 2013/14) to the Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (14.1% 2013/14) of pensionable pay. There were no contributions remaining payable at the end of the reporting period. The contributions payable in the next reporting period are estimated at £9.114m.

In 2014/15, the authority paid £0.179m (£0.2m 2013/14) to the NHS Business Service Authority in respect of public health employees retirement benefits, representing 14.0% (14.0% 2013/14) of pensionable pay. There were no contributions remaining payable at the end of the reporting period. The contributions payable in the next reporting period are estimated at £0.169m

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the schemes. These costs are accounted for on a defined benefit basis.

25 Defined Benefit Pension Schemes

The authority makes contributions towards the cost of post employment benefits as part of the terms and conditions of employment of its employees. Although these benefits will not actually be payable until employees retire, the authority has to disclose the commitment in respect of the future payment of these benefits at the time that the employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme (LGPS). East Sussex County Council acts as the Scheme Administrator of the East Sussex Pension Fund and is responsible for the management and administration of the Fund in line with the Local Government Pension Scheme Regulations. Within the responsibilities of the Scheme Administrator is the requirement to liaise and communicate with employing authorities that participate in the Fund, ensure adequate record keeping in respect of each member of the Fund, to calculate and pay appropriate benefits to members and to produce the required information to comply with disclosure requirements.

The scheme is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition, the authority has arrangements for the award of discretionary post retirement benefits upon early retirement. This arrangement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and the authority has to generate cash to meet actual pension payments as they eventually fall due.

Hymans Robertson LLP, an independent firm of actuaries, assesses the position of the authority's pension fund.

The calculations and advice given by Hymans Robertson LLP in their actuarial report has been carried out in accordance with the Pensions Technical Actuarial Standard adopted by the Financial Reporting Council, which came into effect on 1 January 2013 (version 2).

Transactions relating to Post Employment Benefits

The authority recognises post employment benefits in the surplus / deficit on the provision of services within the CIES when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the authority is required to make to its General Fund is based on the cash payable in the reporting period rather than the earned post employment benefits which are therefore reversed out of the General Fund balance to the pensions reserve and reported in the MiRS.

The following table shows the transactions that have been made in the CIES and MiRS during the reporting period in relation to the LGPS:

Transactions relating to Post Employment Benefits in respect of the Local Government Pension Scheme		
	2013/14	**2014/15**
	£'000	**£'000**
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services		
Service Cost Comprising:		
Current service cost	25,291	27,427
Past service cost	424	94
Financing and Investment Income and Expenditure		
Net interest expense	8,976	11,535
Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services	**34,691**	**39,056**
Movement in Reserves Statement		
Reversal of net charges made to the surplus / deficit for the provision of services for post employment benefits	(34,691)	(39,056)
Actual amount charged against the General Fund and HRA balance for pensions in the reporting period		
Employer's contributions payable to the scheme	(22,967)	(23,996)
Other Post Employment Benefits charged to the CIES		
Remeasurement of the Net Defined Benefit Liability comprising:		
Return on scheme assets (excluding the amount included in the net interest expense)	27,507	(71,582)
Actuarial gain / (loss) arising on changes in demographic assumptions	18,895	0
Actuarial gain / (loss) arising on changes in financial assumptions	26,471	160,010
Other experience adjustments	(16,142)	(7,648)
Adjustment re remeasurements of the pension scheme	55	(33)
Total Post Employment Benefits charged to the CIES	**91,477**	**119,803**
Net Adjustment to the Pension Reserve	**68,510**	**95,807**

Note: The remeasurements of the scheme in 2014/15 were £80.780m; this is different to the remeasurements recorded in the financial statements of £80.747m due to timing differences upon production of the actuarial report.

Assets and Liabilities in relation to Post Employment Benefits

The amount included on the Balance Sheet arising from the authority's obligation in respect of its defined benefit scheme is shown in the following table:

Pension Assets and Liabilities recognised in the Balance Sheet		
	2013/14	**2014/15**
	£'000	**£'000**
Present value of the scheme liabilities	(963,610)	(1,162,644)
Fair value of scheme assets	696,895	800,122
Net Liability arising from Defined Benefit Obligation	**(266,715)**	**(362,522)**

The present value of liabilities shows the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,162.644m can be split between funded and unfunded equating to £1,125.604m and £37.040m respectively. The authority is only required to fund the defined benefits when the pensions are actually paid. The actuary will assess the need to increase contributions over the remaining working life of employees (i.e. before payments fall due) to make good the deficit on the Fund.

IAS 19 requires the discount rate to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. As such, the figures prepared by the actuary in their actuarial report are unlikely to reflect either the actual eventual cost of providing the benefits or the likely level of contributions to fund the authority's obligations to the

Fund. Also, the net liability position may change significantly due to relative changes in the equity and bond markets at the reporting date.

Pension Scheme Liabilities

The following table shows a reconciliation of the movements in the present value of the scheme liabilities:

Reconciliation of Present Value of the Pension Scheme Liabilities (Defined Benefit Obligation)		
	2013/14	2014/15
	£'000	£'000
Opening Balance at 1 April	**(890,217)**	**(963,610)**
Current service cost	(25,291)	(27,427)
Interest cost	(40,122)	(41,516)
Contributions from scheme participants	(7,145)	(7,564)
Remeasurement (gains) /losses:		
Actuarial gain / (loss) arising on changes in demographic assumptions	(18,895)	0
Actuarial gain / (loss) arising on changes in financial assumptions	(26,471)	(160,010)
Other experience adjustments	16,142	7,648
Benefits paid	28,813	29,929
Past service cost	(424)	(94)
Balance at 31 March	**(963,610)**	**(1,162,644)**

The significant increase in the scheme liabilities is a result of the financial assumptions made by the actuary at 31 March 2015 being less favourable than those made at 31 March 2014. Specifically the discount rate used in the actuarial calculations has decreased during the reporting period due to falling real bond yields resulting in a negative impact on the net liability. The application of assumptions has resulted in a loss of £160.010m relating to financial assumptions, and a gain of £7.648m in relation to other experience adjustments. There has been no gain or loss due to the changes in demographic assumptions.

The following table shows the scheme liabilities in respect of active members, deferred members and pensioner members:

Scheme Liabilities in respect of Active, Deferred and Pensioner Members			
	Liability Split	Liability Split	Weighted Average Duration
	£'000	%	£'000
Active members	568,176	50.5%	24.1
Deferred members	213,946	19.0%	23.1
Pensioner members	343,482	30.5%	11.9
Total	**1,125,604**	**100.0%**	**19.0**

Note: the figures in the above table are for the funded obligations only and do not include any unfunded pensioner liabilities. The weighted average durations are as at the previous formal valuation as at 31 March 2013.

Pension Scheme Assets

During 2014/15 there has been a strong return on the scheme assets increasing by £103.227m, which has partly offset the increase in the scheme liabilities.

The following table shows a reconciliation of the movements in the fair value of the scheme assets:

Reconciliation of the Movements in the Fair Value of the Pension Scheme Assets		
	2013/14	2014/15
	£'000	£'000
Opening Balance at 1 April	**692,012**	**696,895**
Interest income	31,146	29,981
Remeasurement (gains) /losses:		
Return on scheme assets (excluding the amount included in the net interest expense)	(27,507)	71,582
Contributions from employer	22,912	24,029
Contributions from employees into the scheme	7,145	7,564
Benefits paid	(28,813)	(29,929)
Balance at 31 March	**696,895**	**800,122**

The scheme assets have been broken down into categories that accurately reflect the risks that are faced by the scheme, splitting the assets into two types, those that have a quoted market price in an active market and those that do not. The pension scheme assets comprised:

Proportion of the Fair Value of the Scheme Assets by Category								
	2013/14				2014/15			
	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	Total £'000	% of Total Assets %	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	Total £'000	% of Total Assets %
Equity Securities								
Consumer	33,949	0	33,949	5%	31,425.5	148.7	31,574.2	4%
Manufacturing	17,259	0	17,259	2%	19,848.9	1,243.1	21,092.0	3%
Energy and utilities	18,163	0	18,163	3%	21,110.3	0.0	21,110.3	3%
Financial institutions	38,235	0	38,235	5%	45,961.2	0.0	45,961.2	6%
Health and care	20,617	0	20,617	3%	32,201.1	0.0	32,201.1	4%
Information technology	18,800	0	18,800	3%	34,301.0	0.0	34,301.0	4%
Other	9,919	1,140	11,059	2%	104.5	0.0	104.5	0%
	156,942	**1,140**	**158,082**	**23%**	**184,952.5**	**1,391.8**	**186,344.3**	**24%**
Debt Securites								
UK government	0	9,800	9,800	1%	0.0	12,707.9	12,707.9	2%
Other	0	9,249	9,249	1%	0.0	8,185.0	8,185.0	1%
	0	**19,049**	**19,049**	**2%**	**0.0**	**20,892.9**	**20,892.9**	**3%**
Real Estate								
UK property	3,851	58,941	62,792	9%	0.0	82,559.6	82,559.6	10%
	3,851	**58,941**	**62,792**	**9%**	**0.0**	**82,559.6**	**82,559.6**	**10%**
Investment Funds and Unit Trusts								
Hedge funds	1,371	0	1,371	0%	591.3	304.2	895.5	0%
Infrastructure	0	0	0	0%	0.0	15,910.0	15,910.0	2%
Commodities	2,052	0	2,052	0%	1,953.0	0.0	1,953.0	0%
Equities	827	331,154	331,981	48%	4,040.0	359,509.1	363,549.1	45%
Bonds	26,484	18,751	45,235	6%	32,170.8	19,944.3	52,115.1	7%
Other	0	0	0	0%	0.0	3,131.1	3,131.1	0%
	30,734	**349,905**	**380,639**	**54%**	**38,755.1**	**398,798.7**	**437,553.8**	**54%**
Derivatives								
Foreign exchange	0	400	400	0%	0.0	(156.2)	(156.2)	0%
	0	**400**	**400**	**0%**	**0.0**	**(156.2)**	**(156.2)**	**0%**
Private Equity	0	54,821	54,821	8%	0.0	44,222.7	44,222.7	6%
Cash and cash equivalents	0	21,111	21,111	3%	0.0	28,704.9	28,704.9	4%
Total Assets	**191,527**	**505,367**	**696,894**	**99%**	**223,707.6**	**576,414.4**	**800,122.0**	**101%**

Note: The above table has been taken directly from the actuarial report and is presented as shown in the report.

Basis for Estimating Assets and Liabilities

The scheme has been estimated by the actuary based on the latest full valuation of the scheme as at 31 March 2013. Liabilities for the scheme have been assessed on an actuarial basis using the projected unit credit method (i.e. an estimate of the pensions that will be payable in future reporting periods dependent on assumptions about mortality rates, salary levels etc.).

Actuarial assumptions are used by the actuary to calculate the valuation of the scheme. Risks and uncertainties are inherently associated with the assumptions that are adopted. The assumptions are in effect projections of future investment returns and demographic experience many years into the future and there is inevitably a great deal of uncertainty inherent in what constitutes the "best estimate" with such projections as required by IAS 19. The actuary has interpreted "best estimate" to mean that the proposed assumptions are "neutral" and has advised that there is an equal chance of actual experience being better or worse than the assumptions used. The following table shows the principal assumptions used by the actuary as at the Balance Sheet date:

Basis for Estimating Assets and Liabilities

	31 March 2014	31 March 2015
Long term expected rate of return on assets in the scheme		
Equity investments	4.3%	3.2%
Bonds	4.3%	3.2%
Property	4.3%	3.2%
Cash	4.3%	3.2%
Mortality assumptions		
Longevity at 65 for current pensioners:		
• men	22.2 years	22.2 Years
• women	24.4 years	24.4 Years
Longevity at 65 for future pensioners:		
• men	24.2 years	24.2 Years
• women	26.7 years	26.7 Years
Financial assumptions		
Rate of inflation	2.8%	2.4%
Rate of increase in salaries	4.6%	4.3%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.3%	3.2%
Expected total return on assets	4.3%	3.2%
Take up of option to convert annual pension in retirement grant	*	*

** Pre April 2008 50% and post April 2008 75%*

Sensitivity to Assumptions

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions used by the actuary:

- the costs of a pension arrangement require estimates regarding future experience. The financial assumptions used by the actuary are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment) can have a significant effect on the value of the liabilities reported. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2015 on varying bases;

- a reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude;
- there is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment. To quantify the uncertainty around life expectancy, the actuary has calculated the difference in cost to the authority of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

The following table shows the sensitivities regarding the principle assumptions that show the increase in percentage terms and monetary values that the changes have on the scheme liabilities.

Change in assumptions at 31 March 2015	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	11.0%	127,221
1 year increase in member life expectancy	3.0%	34,879
0.5% increase in the Salary Increase Rate	3.0%	39,239
0.5% Increase in the Pension Increase Rate	7.0%	85,070

The figures in the above table have been derived based on the membership profile of the authority as at the date of the most recent actuarial valuation. The approach taken by the actuary in preparing the sensitivity analysis in the table above is consistent with that adopted in the previous reporting period.

Asset and Liability Matching (ALM) Strategy

East Sussex County Council, as the Scheme Administrator of the East Sussex Pension Fund has reported that a well diversified investment strategy has been agreed, as a way of controlling risk. This applies in two ways:

Asset Allocation

The strategic investment benchmark is heavily weighted towards equities as the asset class expected to provide the highest return over the medium to long term. There is also a significant exposure to property and infrastructure (i.e. "real" assets with a different performance cycle to equities) and a small exposure to bonds (which more closely "match" the Fund's liabilities). The allocation to absolute return mandates provides further diversification. Uniquely, within those mandates, the managers have the flexibility to alter asset allocation between asset classes.

Within equities, diversification is achieved by investing in different markets across the world, which provides exposure to many different stocks and sectors. The Fund also holds private equity which is expected to lead to higher returns over the longer term, without adding significantly to overall risk (consistent with the objectives of the Fund).

Manager Structure

The Fund employs a number of managers with differing styles and management approaches. This is a deliberate policy to avoid over dependence on the fortunes of a single manager and to concentrate on managers' particular areas of expertise. All managers are expected to maintain well diversified portfolios.

The investment strategy is monitored annually or more frequently if necessary.

Impact on the Authority's Cash Flows

The objectives of the scheme are set out in East Sussex Pension Fund's Funding Strategy Statement (FSS), dated March 2014. In summary, these are:

- to ensure the long term solvency of the Fund;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long term cash contributions which employers need to pay to the Fund;
- to reflect the different characteristics of different employers in determining contribution rates; and
- to use reasonable measures to reduce the risk from an employer defaulting on its pension obligations.

The Fund has agreed a strategy with its actuary to achieve a funding level of 100% over the next 21 years. The funding level for the Fund is monitored on a regular basis. The next triennial valuation is due to be completed on 31 March 2016.

The 2013 actuarial valuation took account of the changes made under the Public Service Pensions Act 2013. In particular, the Local Government Pension Scheme Regulations 2013 introduced a new career average revalued earnings scheme from 1 April 2014. Benefits accrued under the provisions set out in the previous regulations are protected (i.e. the accrual of benefits under the new career average revalued earnings structure applies for post 1 April 2014 service only).

The contributions paid by the authority are set by the Fund actuary at each triennial actuarial valuation or at any other time as instructed to do so by the Fund. The contributions payable over the period to 31 March 2017 are set out in the Rates and Adjustments certificate. For further details on the approach adopted to set contribution rates for the authority, please refer to the 2013 actuarial valuation report dated 28 March 2014, which can be found on East Sussex County Council's website, www.eastsussex.gov.uk.

The total contributions expected to be made to the Local Government Pension Scheme by the authority in the reporting period to 31 March 2016 will be in the region of £22.362m.

An analysis of the projected amount to be charged to the CIES for the reporting period to 31 March 2016 is shown below:

Projected Defined Benefit Cost for the Period Ended 31 March 2016

Period Ended 31 March 2016	**Assets** **£'000**	**Liabilities** **£'000**	**Net Liability** **£'000**
Projected current service cost	0	(34,704)	(34,704)
Total Service Cost	**0**	**(34,704)**	**(34,704)**
Interest income on scheme assets	25,654	0	25,654
Interest cost on scheme liabilities	0	(37,411)	(37,411)
Total Net Interest Cost	**25,654**	**(37,411)**	**(11,757)**
Total Charge to CIES	**25,654**	**(72,115)**	**(46,461)**

The weighted average duration (i.e. the weighted average time until payment of all expected future discounted cashflows, determined based on membership and the financial and demographic assumptions as at the date of the 2013 actuarial valuation) of the defined benefit obligation for scheme members is 19 years for 2014/15 (19.6 years 2013/14).

26 External Audit Costs

In 2014/15, the authority incurred the following costs in relation to the audit of the financial statements and certification of grant claims provided by the authority's external auditors:

External Audit Costs		
	2013/14	2014/15
	£'000	£'000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor	210	218
Fees payable to the external auditor for the certification of grant claims and returns	20	19
Total	**230**	**237**

Note: The amounts for external audit services carried out by the appointed auditor for the certification of grants relating to 2013/14 have been updated from the estimate originally shown in 2013/14 published financial statements to reflect the actual costs incurred.

Work relating to the 2014/15 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 table.

The authority received a rebate of £0.018m in respect of the 2014/15 audit fixed fee (£0.024m 2013/14).

27 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 in the reporting period:

Publicity		
	2013/14	2014/15
	£	£
Recruitment advertising	382,273	368,991
Housing services (HRA)	10,893	4,265
Other housing services	3,693	2,701
Public transport	65,267	87,721
Projects and venues	182,993	130,018
Tourism	91,087	121,870
Children's social care	27,670	24,678
Waste collection (including changing collection rounds, kerbside collection / recycling)	76,026	68,916
Other publicity and marketing	146,156	147,197
Total	**986,058**	**956,357**

28 Agency Services

Under various statutory powers, the authority may have arrangements with other local authorities, water companies and government departments to do work on their behalf. The authority has the following significant agency arrangements:

Council Tax

The authority, as a billing authority for council tax, acts as an agent on behalf of the Sussex Police & Crime Commissioner and the East Sussex Fire Authority. The authority includes a debtor or creditor in its Balance Sheet for deficits / surpluses on the Collection Fund attributable to the two preceptors.

Non Domestic Rates (NDR)

The authority, as a billing authority for non domestic rates, acts as an agent on behalf of central government and the East Sussex Fire Authority. The cash collected by the authority from non domestic rates taxpayers belongs proportionately to the authority, central government (by means of its central share) and the precepting authority. The authority recognises a creditor or debtor for cash collected from non domestic rates taxpayers as an agent for central government and the precepting authority, but which has not yet been paid (or overpaid) to central government and the precepting authority at the Balance Sheet date.

The Collection Fund Statement and note 33 provide more detail in respect of income and expenditure in relation to these agency services.

Payroll Taxes and National Insurance

The authority acts as an agent of Her Majesty's Revenue and Customs (HMRC) for the collection of income tax and national insurance on behalf of employees. The authority has included a net creditor in it Balance Sheet of £4.435m for the amount due to HMRC at the end of the reporting period

29 Section 75 (S75) Arrangements

Under Section 75 (S75) 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 or pooled budgets.

During 2014/15, the authority was party to a number of S75 arrangements.

Children & Young People's Trust (CYPT)

From 1 October 2006 the authority, the Brighton and Hove Clinical Commissioning Group (CCG) (from 1 April 2013) and the Sussex Community Trust (SCT) 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 the authority. The authority is the lead commissioner and lead provider of integrated services.

The gross income to the partnership in 2014/15 is £58.275m (£59.023m 2013/14) of which the authority made a contribution in 2014/15 of £52.809m (£53.466m 2013/14). The authority's contribution is included in the Children's and Education cost of service within the CIES. Most devolved, school related expenditure funded from the Dedicated Schools Grant (DSG) remains outside of the S75 arrangement at present but can potentially be included in future, subject to the agreement of the partners and the authority's Schools Forum.

The total gross income has been expended by the providers of the partnership as follows:

Section 75 - Children & Young People's Trust

	2013/14	2014/15
	£'000	£'000
Brighton & Hove City Council	53,466	52,809
Brighton & Hove Clinical Commissioning Group	1,101	0
Sussex Community Trust	4,456	5,466
Total	**59,023**	**58,275**

Note: Brighton & Hove Clinical Commissioning Group is no longer part of the S75 arrangement.

Adult Social Care

With effect from 1 April 2002, some adult social care services have been provided within the geographical area covered by the authority under a partnership arrangement between the authority, Brighton and Hove Clinical Commissioning Group (CCG) (from 1 April 2013), the Sussex Community Trust (SCT) and the Sussex Partnership Foundation Trust (SPFT). The CCG act as lead commissioner for short term services, mental health and dementia services whilst the authority is the lead for the community equipment store. SCT are the lead provider for short term services and the community equipment store whilst SPFT are the lead provider for mental health and dementia services.

The authority made a commissioning contribution of £13.093m (£12.797m 2013/14) to the various S75 arrangements in 2014/15. This contribution is reflected in the Adult Social Care cost of service within the CIES.

The gross income to the partnerships in 2014/15 is £34.919m (£36.907m 2013/14) including CCG commissioning contributions. This has been expended by lead providers as follows:

Section 75 - Adult Social Care		
	2013/14	**2014/15**
	£'000	**£'000**
Sussex Community Trust	5,542	5,895
Sussex Partnership Foundation Trust	26,313	23,941
Brighton & Hove City Council	1,401	1,417
Other Providers	3,651	3,666
Total	**36,907**	**34,919**

Note: The contribution of £13.093m reflects the gross funding provided by the authority to the S75 arrangement whereas the expenditure figures included in the above table reflect the expenditure for the service areas provided by each party.

30 HRA Item 8 Credit and Item 8 Debit (General) Determination

The capital asset charges accounting adjustment, calculated in accordance with the Item 8 credit and Item 8 debit (general) determination for 2014/15 was a credit adjustment of £14.823m. The following table shows the breakdown of this adjustment:

Item 8 Credit and Item 8 Debit (General) Determination		
	2013/14	**2014/15**
	£'000	**£'000**
Item 8 Debit		
Depreciation of council dwellings	7,855	8,193
Depreciation of non council dwellings	416	459
Impairment and revaluation losses	3,982	1,605
Interest payable	5,270	5,281
Debt management costs	70	58
Total Item 8 Debit	**17,593**	**15,596**
Item 8 Credit		
Impairment and revaluation losses adjustments	(3,579)	(740)
Interest receivable	(28)	(33)
Total Item 8 Credit	**(3,607)**	**(773)**
Total Item 8 Credit and Item 8 Debit	**13,986**	**14,823**

The authority has made a prior period adjustment to this disclosure note in respect of interest payable being previously stated incorrectly as a credit adjustment, the exclusion of the item 8 adjustments for interest receivable and debt management costs and the incorrect inclusion of revaluation gains. The impact of this prior period adjustment is that the net item 8 credit and item 8 debit has reduced by £31.802m from an item net credit of £17.816m to an item 8 net debit of £13.986m. This adjustment has no impact on the reported assets, liabilities or net worth of the authority.

31 HRA Rent Arrears

At 31 March 2015, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £1.513m (£1.409m 31 March 2014). This represents an increase in arrears as a proportion of gross rental income from 2.83% to 2.97%.

The following table shows the aggregate Balance Sheet provision in respect of uncollectable debts:

Rent Arrears and other Bad Debts written off

	2013/14	2014/15
	£'000	£'000
Impairment at 1 April	**1,016**	**1,006**
Change in impairment charged to the HRA	222	248
Rent arrears and other bad debts written off	(232)	(156)
Impairment for Bad Debts at 31 March	**1,006**	**1,098**

32 Collection Fund - 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 the Sussex Police & Crime Commissioner, the East Sussex Fire Authority and the authority for the forthcoming reporting period and dividing this by the council tax base. The authority's tax base was calculated as follows:

Council Tax Base

Band	Estimated number of Chargeable Dwellings	Estimated number of Chargeable Dwellings after Discounts	Band Ratio	Band D Equivalent Dwellings
Band A*	51	2.25	5/9	1.30
Band A	25,664	14,610.25	6/9	9,740.20
Band B	27,374	18,418.75	7/9	14,325.70
Band C	30,928	23,915.25	8/9	21,258.00
Band D	18,268	15,593.50	9/9	15,593.50
Band E	10,565	9,457.75	11/9	11,559.50
Band F	4,396	4,047.00	13/9	5,845.70
Band G	2,585	2,412.50	15/9	4,020.80
Band H	142	132.25	18/9	264.50
				82,609.20
Less provision for losses in collection				(1,250.00)
Tax Base for 2014/15				**81,359.20**
Tax Base for 2013/14				**79,781.90**

** Entitled to disabled relief reduction.*

The estimated gross council tax yield (before the provision for losses in collection) for 2014/15 of £127.051m was based on Band D equivalent dwellings of 82,609.20 multiplied by the average Band D council tax charge of £1,537.98. The actual gross council tax yield for 2014/15 of £128.221m is equivalent to an increase of 761 Band D dwellings. The estimated and actual tax base amounts 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 in the current reporting period are lower than anticipated entitlements to council tax reduction discounts and a review of single person discounts led to a lower award of the single person discount.

33 Collection Fund - Non Domestic Rates

The authority is responsible for collecting non domestic rates in Brighton and Hove. Under the Business Rates Retention Scheme, the authority is allowed to retain 49% of the non domestic rates income it collects. Of the remainder 50% is paid over to central government and 1% to the East Sussex Fire Authority.

Non domestic rates are charged on the basis of the rateable value for business premises multiplied by a non domestic multiplier. The total non domestic rateable value at 31 March 2015 was £266.212m (£265.975m at 31 March 2014). The non domestic multiplier for 2014/15 was 48.2p and the small business non domestic multiplier was 47.1p.

34 Trust Funds

The authority acts as trustee for various trust funds. The balances on these funds are excluded from the authority's Balance Sheet. The following table shows the balances held by each trust fund:

Trust Fund Accounts

Capital Market Value £'000		Revenue Balance 01 April 2014 £'000	2014/15 Expenditure £'000	2014/15 Income £'000	Revenue Balance 31 March 2015 £'000
1,311	Brighton Fund	**(102)**	68	(48)	**(82)**
3,558	Gorham's Gift	**(14)**	64	(62)	**(12)**
716	Hedgcock Bequest	**(126)**	24	(27)	**(129)**
347	Oliver and Johannah Brown Fund	**(35)**	9	(13)	**(39)**
92	Royal Pavilion and Museums Foundation	**(904)**	280	(508)	**(1,132)**
	Other Trusts				
419	Education	**(35)**	9	(16)	**(42)**
137	Music Trust	**(75)**	38	(15)	**(52)**
263	Various Libraries and Museums Bequests	**(141)**	0	(13)	**(154)**
6,843	**Total**	**(1,432)**	**492**	**(702)**	**(1,642)**

The capital market value shows the valuation of Charities Official Investment Fund (COIF) shares and other investments at the mid market prices at 31 March 2015. The authority acts as the sole trustee in respect of all funds listed with the exceptions of Gorham's Gift and the Royal Pavilion and Museums Foundation.

Brighton Fund

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

Gorham's Gift

The Gorham's Gift Trust was set up by a wealthy landowner to help maintain the village of Telscombe and the neighbouring area. The investment property for Gorham's Gift is included in the capital market value and was valued at £2.713m as at August 2014.

Hedgcock Bequest

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

Oliver and Johannah Brown Fund

The Oliver and Johannah Brown Fund awards grants to residents of Brighton and 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.

Royal Pavilion and Museums Foundation

The purpose of the Royal Pavilion and Museums Foundation 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.

Education Trust

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

Music Trust

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 and Hove area.

Various Libraries and Museums Bequests

These relate to various small bequests made to Brighton and Hove Libraries and Museums which have conditions attached to their use.

35 Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The CRC Energy Efficiency scheme commenced in April 2010. Phase 1 of the scheme ran from the first reporting period 2011/12 and ended in 2013/14. The scheme is currently in the first year of phase 2 which runs until 2018/19.

Under the CRC Energy Efficiency scheme, the authority has an obligation to purchase and surrender CRC allowances in relation to carbon dioxide emissions at the reporting date. The authority purchases the allowances from the government and surrenders the allowances to the scheme in proportion to its reported emissions for the preceding scheme year and in accordance with the scheme requirements.

At 31 March 2015, the authority has an obligation to meet its CRC responsibilities of £0.249m (£0.275m at 31 March 2014) and has set aside this amount as a provision. This obligation is based on a CO2 usage of 16,000 tonnes at £15.60 per tonne; the CO2 usage is based on the authority’s estimated carbon footprint for 2014/15.

Following the end of 2014/15, the authority will submit an annual report on its carbon dioxide emissions for the 2014/15 financial year by the last working day in July 2015. The authority purchased 23,000 allowances in 2014/15 at a cost of £358,800 under the 'Forecast Sale' and will use these allowances throughout the Phase 2 period There is a requirement for the authority to surrender allowances to the scheme by the last working day in October 2015 in proportion to its reported emissions for the preceding scheme year and in accordance with the scheme requirements. Any unused allowances will be held as an intangible asset and used throughout the Phase 2 period.

Appendix 1

Information on the authority's reportable operating segments

The authority is operationally managed by five directorates together with services managed by the Assistant Chief Executive; their main responsibilities are:

Adult Services commissions, procures and provides a wide range of social care services for adults, including supported living services, residential care, day services and day options, telecare and respite services. Services are provided to frail older people, those with learning and physical disabilities, and those with mental health issues as well as other vulnerable groups such as those with drug or alcohol problems. Significant service areas include: assessment services; hospital and community social work, help for people to remain in their own homes including intensive home care, respite care, occupational therapy and home adaptations.

Children's Services commissions, procures and provides a wide range of social care and educational services for children and young people, often in partnership with other agencies. The directorate is split into three main divisions: Stronger Families, Youth and Communities; Education and Inclusion; and Child Health, Safeguarding and Care. The directorate therefore includes education and schools services and works on a multi-agency basis with many partners including health services. Significant service areas include: Sure Start and early years services, fostering and adoption; social work, safeguarding and child protection; looking after children in care; youth services; leadership of the education function and school advisory services.

The **Environment, Development & Housing** directorate commissions, procures and provides a range of infrastructure services including Planning, Transport, Housing and economic development and regeneration. The directorate also collects refuse and recycling and manages the city's parks. Other significant service areas include: building and development control, highways and transport management and planning, provision of council housing and associated services, housing strategy and temporary accommodation (homelessness), and management of waste disposal.

The **Public Health (including Community Safety & Public Protection)** directorate promotes greater health equality across the city and commissions services to improve health and well-being covering the following areas: drugs and alcohol; obesity and nutrition; smoking cessation; sexual health; mental well being; child health including parenting; and, healthy communities and work places. The Community Safety team and Partnership and Drug and Alcohol Action team deliver services and lead partnership work to reduce crime covering ten priority crime areas, fear of crime, anti social behaviour, and drug and alcohol dependency. Public protection includes trading standards, environmental health and licensing

Services managed by the **Assistant Chief Executive** include libraries, cultural, sport and tourism and leisure services including development and management of the Royal Pavilion estate, the Brighton Centre and other museums and venues. The service also includes Policy and Communities services to ensure appropriate responses to national legislative changes and initiatives as well as helping the authority to undertake consultation and engagement, and meet its equalities duties. There is also a Communications service that promotes open and transparent internal and external communications and information and develops campaigns for the promotion or reputational management of the authority and/or its services.

Finance, Resources & Law consists of the Finance & Resources Directorate and the Head of Law and includes a wide range of business support functions to ensure that the authority operates within effective and robust governance, internal control and risk management frameworks. Business and statutory processes and requirements are supported including financial services, human resources, ICT, legal services, property and design services, and democratic support services. The Finance & Resources Directorate also includes City Services which manages Revenues and Benefits services for collecting council tax and business rates and the administration of Housing Benefits and the Council Tax Reduction Scheme. City Services also provides customer service centres and receptions, and Life Event services such as registrars and Woodvale Crematorium.

For management and reporting purposes there are three other areas for which discrete financial information is held including:

Corporate Services: these centrally managed areas include the financing costs of the authority's debt, the Concessionary Fares scheme, and the costs of corporate council management. It also includes income from any council tax freeze grants.

NHS Trust Managed s75 Budgets: there are a range of Section 75 partnership arrangements for the provision of health and social care services. These are currently with the Brighton and Hove Clinical Commissioning Group, the Sussex Community Trust and the Sussex Partnership Foundation Trust for the provision of a range of health and social care services for children and adults across the city.

The **Housing Revenue Account (HRA)**: the HRA covers the Housing Management service which is responsible for the management and maintenance of council housing and the procurement and provision of services to tenants and leaseholders. The three main sections include: Property and Investment which cover asset management, partnership management, contract monitoring and compliance; Tenancy Services, which covers sheltered services, estates services, rehousing and tenancy management; and, Income, Involvement and Improvement, which covers customer service, performance and improvement, resident involvement, income management, leasehold management, inclusion, car parks and garages.

Appendix 2
Information on the authority's heritage assets

The Royal Pavilion

The Royal Pavilion was built for the Prince Regent, later King George IV in stages between 1787 and 1823.

A quinquennial inspection is undertaken of the Royal Pavilion by specialist external architectural advisors to provide a condition report on the state of the fabric of this grade 1 listed building and identify works that need to be undertaken. A major 5 year programme of repairs to the stonework and associated redecorations was undertaken following identification of corrosion in the stonework in one of the ensuing quinquennial reports. The work was completed in 2010. The most recent quinquennial inspection took account of this work and identified further areas for action which is used to inform the Royal Pavilion's annual planned maintenance programme. In addition to the quinquennial inspection, the authority's conservation and historic buildings teams undertake regular inspections and carry out day to day repairs/conservation and remedial works to ensure the long term preservation of this historic asset. Alongside this there is a programme of restoration and conservation of the historic interiors undertaken by specialist conservators attending to decorative surfaces and the fixtures as well as close monitoring and programmes of improvement to control the environmental conditions within the building. The Royal Pavilion is closed for ten days annually to allow programmes of conservation and maintenance work to be undertaken which cannot be carried out whilst open to the public.

The Royal Pavilion can be accessed by the public between 9.30am and 5.45pm during April to September and between 10am and 5.15pm during October to March. It is closed on 24 December from 2.30pm and on 25 and 26 December all day.

The Volks Railway

The Volks Railway was designed and built by Magnus Volk who was a 19th century inventor and engineer. On 4 August 1883, the electric railway was formally opened on Brighton seafront. In 1884, the line was extended.

In 1947, the Brighton Corporation, which became the authority, took over the railway and restored it with the line reopening in 1948. The railway has remained under the authority's control since this time.

The railway is looked after by three permanent employees and a summer season team of eight. The railway runs for each summer season and remains the oldest electric railway in Britain. Access to the assets is permitted to scholars for research purposes every day from 8.30am to 5.30pm.

There is no policy document in place that covers the 'acquisition, preservation, management and disposal' of the Volks Railway.

West Blatchington Windmill

West Blatchington Windmill was built circa 1820. The design is of the style known as a 'Smock' Mill due to the resemblance in silhouette, to the garment worn by the millers and shepherds of that period. Normally eight sided, the Mill is only six sided and, along with many other features, is unique in the milling world.

The Mill stands isolated on a central island and in 1979 the building was opened to the public after extensive renovation and restoration by both the authority and a group of volunteers.

During 1997, the north barn was, in part, reconstructed affording more space with seating, tables and video viewing facilities plus a small kitchen for visitor refreshments. The fabric of this Grade 2 listed windmill is maintained by the authority with the internal restoration, purchase and display of exhibits and opening to visitors carried out by the Friends of West Blatchington Windmill.

In 1999, a major restoration of the exterior was undertaken thereby ensuring the preservation of the Mill.

Although regular opening to the public is restricted to Sunday and Bank Holiday afternoons from May to September, school parties and other groups are shown round at other times by appointment.

Rottingdean Windmill

It is believed that this ‘Smock’ Mill was erected on Beacon Hill in 1802. In 1923 the Marquess of Abergavenny, Lord of the Manor, granted a 99 year lease of the Mill and a small piece of land around it, to the trustees for the village. The Trustees undertook "not to alter or detract from the picturesque appearance of the Mill and to preserve the same as an object of interest to the inhabitants and visitors to Rottingdean and district".

When Rottingdean was absorbed into Brighton Borough in 1928, the Corporation acquired all the downland to the west side of the village from the Abergavenny estate, including the lease of the windmill.

When the Rottingdean Preservation Society was formed as a charitable trust in 1960, the trusteeship for the Mill was vested in members of the Society. Since that time the Society has carried the risks of the outstanding full repairing lease.

At the beginning of the millennium it was evident that the strong south westerly winds had taken their toll on the sweeps and stocks and they were in need of replacement. The Rottingdean Preservation Society made a successful bid to the Heritage Lottery Fund and received a grant towards the work on this Grade 2 listed landmark.

In acknowledgement of the Heritage Lottery Fund support, the windmill is open to the public on special days.

The lease and trusteeship expire in 2021 at which time responsibility for the Mill will revert to the authority.

Collections and Rare Books

The Collections heritage assets consist of the following:

- Decorative Art - Designated collection comprising 17th - 21st Century British, European and American applied art and industrial design. The collection also includes furniture and furnishing textiles, clocks and watches, metalwork and jewellery, glass and ceramics, also some Oriental and Islamic wares made for the European market and contemporary craft, including the Arts Council (South East) Craft Collection, which comprises work in all media by makers living or working in the South East region;
- Natural Sciences - Designated collection covering local, British and international zoological, botanical and geological material, manuscripts and records including the Booth collection of British birds, insect collections (especially Lepidoptera) osteology, birds’ eggs, herbaria, molluscs and local marine and chalk fossils;
- World Art - Designated collection including mid 19th - 21st Century objects, textiles, photographs, reference material, books, archives and testimony relating to Africa, Asia, Oceania and America. The collection also includes some archaeological and European folk material;
- Musical Instruments - European and World Art instruments from the 18th - 20th Century;

- Fine Art - European Old masters in particular from the Italian, Netherlandish, German and French schools, 18th - 20th Century, British watercolours, 17th - 20th Century European prints, 16th - 20th Century British oil paintings, the Heyer Bequest of 20th Century American paintings and topographical material relating to the history of Brighton, Hove and the immediate locality, including renowned personalities and events;
- Costume and Textiles - British, West European and North American men's, women's and children's costume and accessories from the mid 18th Century to the present day, costumes from Les Ballets 1933 and some European national costumes and needlework, samplers and quilts from the mid 18th Century to the present day;
- Toys - British and European 18th - 21st Century toys, dolls and dolls' houses including examples that represent particular cultural or ethnic groups;
- Film and Media - Lantern slides, material and equipment relating to the film industry in England 1896-1930 and material and equipment relating to the cinema in SE England 1896 to the present day;
- Edged Weapons and Firearms - 14th - 20th Century British and European material;
- Local and Social History - 18th - 21st Century artefacts, ephemera, oral history, photographs and negatives, British 18th - 20th Century domestic and agricultural tools and equipment, and fire engine. The collection also includes the Sussex Collection of reference material, books, journals, newspapers, ephemera and documentary archives in the Brighton History Centre;
- Archaeology - Palaeolithic to Medieval material predominantly from Brighton and Hove and international material including significant Egyptian items;
- Numismatics - Classical Greek and Roman, Celtic, Anglo-Saxon, Medieval material through to the present, including medals and trade tokens;
- Oral History - Oral histories illustrative of an individual's experience of Brighton and Hove and histories related to the following collections: local and social history, world art, costume, craft, toys, film and media;
- Education - Material used for handling and demonstration;
- Preston Manor - Furniture, silver, ceramics, glass and pictures bequeathed with the house in 1932, the Macquoid collection comprising furniture, silver, ceramics, pictures, and 400 books with rare editions by Sussex authors and social history items in the servants' quarters;
- Royal Pavilion - Decorative arts of the Regency period and original furniture and fittings from the Royal Pavilion, portraits, artefacts and documents related to George IV and his circle, particularly in relation to Brighton and archival material relevant to the development of the Royal Pavilion Estate;
- Rare Books – a collection of 45,000 items in the Jubilee Library which range from medieval manuscripts and incunabula to autograph letters.

The policy for the acquisition, preservation, management and disposal of collection heritage assets was originally drafted in 2005 and remains under review.

Between 3.5% and 5% of the collections are on display at any one time. The remaining items are held in secure storage but access is permitted by prior arrangement.

Brighton & Hove City Council

Statement of Accounting Policies 2014/15

Statement of Accounting Policies Contents

Statement of Accounting Policies

A. General

The Statement of Accounts summarises the authority's transactions for the reported financial year and its position at the year end of the reporting period. The Accounts and Audit (England) Regulations 2011 require the authority to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Service Reporting Code of Practice (SeRCOP) for the relevant reporting period supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) except where these are inconsistent with specific statutory accounting requirements so as to present a true and fair view of the financial position and transactions of the authority. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

The accounting policies are the specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting its Statement of Accounts. The authority has selected accounting policies and accounts for changes in accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* except where adaptations to fit the public sector are detailed in the Code.

The authority only changes its accounting policies when required by proper accounting practices or where the change results in the financial statements providing more reliable and more relevant information about the effects of transactions, other events and conditions on the authority's financial position, financial performance or cash flows. Where the authority changes an accounting policy, it applies the changes retrospectively, unless the Code specifies transitional provisions that should be followed, by adjusting the opening balance of each affected component on the Balance Sheet for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied, except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the change.

The authority 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 Code, the authority is required to disclose the expected impact of new accounting standards that have been issued but not yet adopted.

Changes in Accounting Estimates

The authority accounts for changes in accounting estimates and errors in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* except where adaptations to fit the public sector are detailed in the Code.

The authority uses accounting estimates where items within the financial statements cannot be measured with precision but can only be estimated. In such cases, estimation techniques are adopted by the authority to calculate the estimated monetary amount corresponding to the correct measurement bases selected using the latest available reliable information.

The authority revises accounting estimates if changes occur in the circumstances on which the estimates were based or as a result of new information or more experience. The effect of any change in accounting estimates is recognised prospectively by including it in the surplus or deficit in the period of the change, if the change affects the period only, or the period of the change and future periods, if the change affects both. If the change in accounting estimate gives rise to changes in assets, liabilities and / or reserves, it is recognised by adjusting the carrying amount of the affected component on the Balance Sheet in the period of change. Changes in accounting estimates do not give rise to a prior period adjustment.

Prior Period Errors and Adjustments

Prior period errors are omissions from, and misstatements in, the financial statements for one or more prior periods arising from a failure to use, or the misuse of, reliable information that was available when financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of the financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts and fraud.

The authority recognises prior period adjustments in respect of changes in accounting policies or to correct a material error.

The authority restates its financial statements where there are material errors. Where it is practicable to determine either the period specific effects or the cumulative effect of an error, the authority corrects material prior period errors retrospectively in the first set of Statement of Accounts authorised for issue after their discovery by restating the comparative amounts for prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and / or reserves for the earliest prior period presented.

When it is impracticable to determine the period specific effects of an error on comparative information for one or more prior periods presented, the authority restates the opening balances of assets, liabilities and /or reserves for the earliest period for which retrospective restatement is practicable (which may be the current period).

Prior period items that arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process constitute normal transactions for the reporting period in which they are identified, and are accounted for accordingly by the authority.

Accounting Concepts

The Code specifies many of the accounting policies and estimation techniques to be adopted for material items within the financial statements. In preparing information for the financial statements, the authority has regard to the underlying assumptions, and qualitative characteristics of financial statements as set out in the Code. The policies and estimation techniques have been selected to accord with the five qualitative characteristics of financial information in relation to understandability, relevance, materiality, reliability and comparability and the two underlying assumptions, accrual basis and going concern.

The Statement of Accounts provides information about the authority's financial position, financial performance and cash flows. The authority's financial position can be measured by the level of assets, liabilities and reserves, with its financial performance being measured by income and expenses and its cash flow by elements within both the CIES and the Balance Sheet. Throughout the accounting policies, reference is made to the bases on which assets, liabilities, reserves, income and expenses are recognised and measured.

Fair Value

International Financial Reporting Standards now have a consistent definition of fair value introduced by IFRS 13 *Fair Value Measurement*; however the Code does not adopt the requirements of the standard and therefore maintains the previous definitions of fair value which apply in different circumstances. The table below shows the provisions the authority applies regarding fair value.

Circumstance	**Fair Value**
Revenue Recognition	Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.
PPE	For land and buildings, fair value is the amount that would be paid for the asset in its existing use. For council dwellings, existing use value – social housing is used.
Leases	Fair value follows the appropriate class of PPE, or intangible asset.
PFI and PPP Arrangements	On initial recognition, fair value is the cost to purchase the asset. Subsequently, fair value follows the appropriate class of PPE, or intangible asset.
Investment Property	Fair value is interpreted as the amount that would be paid for the asset in its highest and best use, (i.e. market value). The fair value of investment property held under a lease is the lease interest.
Intangible Assets	Where an intangible asset's fair value can be determined by reference to an active market, the asset is carried at a revalued amount. Where there is no active market, assets are carried at cost less any accumulated amortisation and any accumulated impairment loss.
Heritage Assets	Heritage assets are carried at valuation rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon.
Non Current Assets Held for Sale	Fair value is the amount that would be paid for the asset in its highest and best use (i.e. market value). Fair value for social housing being disposed of under Right to Buy (RTB) legislation is the discounted RTB value.
Inventories	Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.
Debtors	Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.
Financial Instruments	Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction. For financial instruments, fair value is the transaction price (i.e. the consideration) unless the transaction was not at arms length. If the transaction is not based on market terms, a valuation technique is used to determine the appropriate fair value for initial recognition of the instrument.
Creditors	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

The fair value definition for revenue recognition is also the general definition that the authority applies unless a more specific definition applies.

Infrastructure assets are not carried at fair value but instead are carried at depreciated historical cost.

Current Assets

The authority classifies an asset as current when:

- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle (i.e. 12 months);

- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within 12 months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current Liabilities

The authority classifies a liability as current when:

- it expects to settle the liability within its normal operating cycle (i.e. 12 months);
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within 12 months after the reporting period; or
- the authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Exceptional Items

The authority defines exceptional items as those items of material income and expenditure which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the financial statements. The nature and amount of exceptional items are disclosed separately on the face of the CIES and in the notes to the financial statements, depending on how significant the items are to an understanding of the authority's financial performance.

School Transactions

The authority accounts for transactions relating to schools in accordance with the Code which confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

B. Grants, Contributions and Donated Assets

The authority accounts for and provides disclosures in relation to grants and contributions in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, except where adaptations to fit the public sector are detailed in the Code.

Whether paid on account, by instalments or in arrears, grants and contributions, including donated assets, are not recognised until there is reasonable assurance that the authority will comply with the conditions attached to the payments and the grants or contributions will be received.

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and are recognised immediately in the CIES as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the authority has not satisfied.

Grants, contributions and donated assets are credited to service revenue accounts, support services, trading accounts, the HRA and corporate accounts in accordance with SeRCOP.

A grant or contribution that becomes repayable is accounted for by the authority as a revision to an accounting estimate (see *general* accounting policy). Repayment is first applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment is recognised within the CIES as an expense.

A grant, contribution or donated asset may be received subject to a condition that it is returned to the transferor if a specified future event does or does not occur. In these cases, a return obligation does not arise until such time as it is expected that the condition will be breached and the authority does not recognise a liability until that time.

General grants and contributions are disclosed as one item on the face of the CIES.

Grants and Contributions for Revenue Purposes

Revenue grants or contributions with conditions attached are initially credited to the Balance Sheet in the form of creditor personal accounts at the point of receipt. Once the condition has been met, the grant or contribution is transferred from the creditor personal account and recognised as income in the CIES.

Revenue grants or contributions with no conditions attached are recognised as income in the CIES at the point of receipt.

Grants and Contributions for Capital Purposes

Where a capital grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, the grant or contribution is recognised as part of the capital grants receipts in advance. Once the condition has been met, the grant or contribution is transferred from the capital grants receipts in advance and recognised as income in the CIES.

Where a capital grant or contribution (or part thereof) has been recognised as income in the CIES, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund (or HRA) to the CAA, reflecting the application of capital resources to finance expenditure. This transfer is reported in the MiRS.

Where a capital grant or contribution (or part thereof) has been recognised as income in the CIES, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the capital grants unapplied account (within the usable reserves section of the Balance Sheet), reflecting its status as a capital resource available to finance expenditure. This transfer is reported in the MiRS. When, at a future date, the expenditure to be financed from the grant or contribution is incurred, the grant or contribution (or part thereof) is transferred from the capital grants unapplied account to the CAA, reflecting the application of capital resources to finance expenditure. This transfer is reported in the MiRS.

When a capital grant or contribution becomes repayable and where conditions in respect of the grant or contribution have not been met, the repayment is applied against the capital grants receipts in advance. Where the grant or contribution has previously been recognised as income in the CIES (or to the extent that the repayment exceeds the balance in respect of the specific grant or contribution in the capital grants receipts in advance), the repayment is recognised as an expense in the CIES. As the repayment of grants for capital purposes is classed as capital investment, the repayment is transferred from the General Fund (or HRA) to the CAA. This transfer is reported in the MiRS. Where repayment of a grant relates to an asset, consideration is given to the possible impairment of the asset. Depending on the conditions of the grant, the repayment may be years later and thus impairment may have occurred.

Donated Assets

Donated assets transferred to the authority for nil consideration are recognised immediately at fair value as an asset on the Balance Sheet. The asset is recognised in the CIES as income, except to the extent that the donated asset has a condition(s) that the authority has not satisfied. Where a donated asset has been recognised as income in the CIES, the income shall be transferred from the General Fund (or HRA) to the CAA. This transfer is reported in the MiRS.

Where a donated asset has been received, and conditions remain outstanding at the Balance Sheet date, the donated asset is recognised in the donated assets account. Once the condition has been satisfied, the donated asset is transferred from the donated assets account and recognised as income in the CIES, and the income is transferred from the General Fund (or HRA) to the CAA. This transfer is reported in the MiRS.

Where donated assets have been acquired for less than fair value (i.e. a non exchange transaction), the difference between the fair value of the asset and the consideration paid is recognised immediately in the CIES as income, or in the event that the transfer has a condition(s), recognised in the donated assets account until such time as the condition(s) have been met.

After initial recognition, donated assets are revalued and depreciated in line with non current assets.

C. Revenue Recognition

The authority accounts for revenue recognition in accordance with IAS 18 *Revenue* and IPSAS 23 *Revenue from Non Exchange transactions (Taxes and Transfers)* except where adaptations to fit the public sector are detailed in the Code.

This accounting policy does not apply to revenue arising from lease agreements (see *leases* accounting policy).

Revenue, except that for a financial asset, is measured at the fair value of the consideration received or receivable.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Sale of Goods

Revenue in relation to the sale of goods is recognised by the authority when the following has been satisfied:
- the authority transfers the significant risks and rewards of ownership of the goods to the purchaser;
- the authority retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the authority can measure the amount of revenue reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority; and
- the authority can measure the costs incurred or to be incurred in respect of the transaction.

Provision of Services

When the outcome of a transaction involving the provision of services can be estimated reliably by the authority, revenue associated with the transaction is recognised by reference to the percentage of completion method at the reporting date. The outcome of a transaction can be estimated reliably when all of the following conditions are satisfied:
- the authority can measure the amount of revenue reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority;
- the percentage of completion of the transaction at the reporting date can be measured reliably; and

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Supplies

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest Receivable on Investments and Payable on Borrowings

In relation to interest receivable and payable, revenue is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority; and
- the authority can measure the amount of revenue reliably.

Subject to the recognition criteria above being met, interest is recognised as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Non Exchange Transactions

In a non exchange transaction, the authority either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue in relation to non exchange transactions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority; and
- the authority can measure the amount of the revenue reliably.

Accruals of Income and Expenditure

In circumstances where the consideration has been received but the revenue does not meet the recognition criteria described above, the authority recognises a creditor (i.e. receipt in advance) in respect of that inflow of resources. On satisfying the recognition criteria, revenue is recognised equal to the reduction of the carrying amount of the liability.

In circumstances where revenue meets the recognition criteria described above but the consideration has not been received, the authority recognises a debtor in respect of that outflow of resources (see *debtors* accounting policy).

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an impairment of financial asset (see *financial instruments* accounting policy).

D. Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets during the year:
- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which losses can be written off;
- amortisation of intangible assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance, by way of an adjusting transaction with the CAA in the MiRS for the difference between the two.

E. Tax Income (Council Tax and Non Domestic Rates (NDR))

The authority follows the principles in IPSAS 23 *Revenue from Non Exchange transactions (Taxes and Transfers)* in respect of accounting for tax income collected except where adaptations to fit the public sector are detailed in the Code.

Council Tax

The authority collects and distributes council tax under what is in substance an agency arrangement (i.e. the cash collected by the authority from council tax belongs proportionately to the authority and the major preceptors). Since the net cash paid to each major preceptor in the reporting period will not be its share of cash collected from council taxpayers, a debtor/creditor between the authority and each major preceptor is recognised at the Balance Sheet date.

If the net cash paid to a major preceptor in the reporting period is more than its proportionate share of net cash collected from council tax debtors/creditors in the reporting period, the authority recognises a debit adjustment for the amount overpaid to the major preceptor in the reporting period. Similarly, if the cash paid to a major preceptor is less than its proportionate share of net cash collected in the reporting period from council tax debtors/creditors, the authority recognises a credit adjustment for the amount underpaid to the major preceptor in the reporting period.

The Cash Flow Statement of the authority includes within operating activities only its own share of council tax net cash collected from council tax debtors in the reporting period; and the amount included for precepts paid excludes amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from council tax debtors and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund is included within financing activities in the Cash Flow Statement.

Council tax income is included in the CIES for the reporting period and represents the accrued income for the reporting period. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and reported in the MiRS.

Non Domestic Rates (NDR)

The authority collects non domestic rates (NDR) income under what is in substance an agency arrangement; the cash collectable by the authority from non domestic rates taxpayers belongs proportionately to the authority, central government (by means of its central share) and its major preceptor. Since the net cash paid to central government and the major preceptor in the reporting period will not be its share of cash collected from non domestic rates taxpayers, a debtor/creditor between the authority, central government and the major preceptor is recognised at the Balance Sheet date.

If the net cash paid to central government or the major preceptor in the reporting period is more than its proportionate share of net cash collected in the reporting period from non domestic rates taxpayers, the authority recognises a debit adjustment for the amount overpaid to central government or the major preceptor in the reporting period. If the cash paid to central government or the major preceptor in the reporting period is less than its proportionate share of net cash collected in the reporting period from non domestic rates taxpayers, the authority recognises a credit adjustment for the amount underpaid to central government or the major preceptor in the reporting period.

NDR income is included in the CIES for the reporting period and represents the accrued income for the reporting period. The allowance for the cost of collection is included in the CIES in accordance with SeRCOP. The difference between the non domestic rates income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and reported in the MiRS.

The authority includes in its Cash Flow Statement under operating activities only its share of non domestic rates income, net cash collected from non domestic rates debtors in the reporting period and the amount paid excludes amounts paid to central government and the major preceptor. The difference between the central government and the major preceptor's share of the net cash collected from non domestic rates debtors and net cash paid to central government and the major preceptor as precepts and settlement of the previous year's surplus / deficit on the Collection Fund for non domestic rates income is included within financing activities in the Cash Flow Statement.

Top up grant receivable is recognised by the authority in the CIES on an accruals basis under taxation and non specific grant income.

F. Value Added Tax (VAT)

There are no IFRS or IPSAS specifically relating to VAT; the authority accounts for VAT in accordance with SSAP 5 *Accounting for Value Added Tax* except where adaptations to fit the public sector are detailed in the Code.

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

The amounts included within the CIES exclude VAT that must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HMRC. VAT is included in the CIES, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

The authority is able to recover VAT from HMRC, providing the partial exemption deminimis is not breached. The authority 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 authority remains below the deminimis level.

The net amount due to or from HMRC in respect of VAT is included as part of creditors or debtors on the Balance Sheet.

G. Cash and Cash Equivalents

The authority defines cash as cash in hand and deposits with financial institutions repayable without penalty on demand.

The authority defines cash equivalents as those cash flow investments which are no longer than three months and represent the investment of cash surpluses lent to cover cash shortages. They are readily convertible to known amounts of cash with insignificant risk of change in value.

In terms of cash flow and treasury management, the authority collectively manages its bank accounts under one umbrella, therefore the net cash position is shown either as cash, as part of cash and cash equivalents or bank overdraft on the Balance Sheet.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

H. Inventories

The authority accounts for inventories in accordance with IAS 2 *Inventories*, except where adaptations to fit the public sector are detailed in the Code.

Inventories are measured at the lower of cost and net realisable value.

The authority includes all costs of purchase, costs of conversions and other costs incurred in bringing the inventories to their present location or condition in the cost of its inventories. The cost of inventories is attributed to identified items of inventory. Where this is not possible, the authority assigns the cost of inventories using the first in, first out (FIFO) cost formula.

When inventories are sold, exchanged or distributed, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised, goods are distributed or related service is rendered. The amount of any write down of inventories (i.e. to net realisable value or current replacement cost) and all losses of inventories are recognised as an expense in the period the write down or loss occurs.

I. Debtors

The authority accounts for debtors in accordance with IAS 18 *Revenue*, IPSAS 23 *Revenue from Non Exchange Transactions (Taxes and Transfers)* and IAS 39 *Financial Instruments: Recognition and Measurement*, except where adaptations to fit the public sector are detailed in the Code.

This accounting policy should be read in conjunction with the accounting policies for Revenue Recognition and Financial Instruments.

Debtors are recognised when ordered goods or services have been delivered or rendered by the authority.

Debtors are recognised and measured at the fair value of the consideration receivable (typically in the form of cash and cash equivalents) when revenue has been recognised (see *revenue recognition* accounting policy) except for a financial asset (see *financial instruments* accounting policy).

Financial assets relating to such things as council tax, non domestic rates etc. are measured at the full amount receivable (net of any impairment losses) as they are non contractual, non exchange transactions (see *financial instruments* accounting policy).

If payment to the authority is on deferred terms (i.e. beyond normal credit terms), the consideration receivable is recognised initially at the cash price equivalent (that is the discounted amount). The difference between this amount and the total payments received is recognised as interest revenue in the surplus / deficit on the provision of services within the CIES.

In the event that consideration has been paid in advance of the receipt of goods or services, the authority recognises a debtor (i.e. payment in advance) in respect of that outflow of resources.

J. Employee Benefits - Benefits Payable during Employment

The authority accounts for benefits payable during employment in accordance with IAS 19 *Employee Benefits*, except where adaptations to fit the public sector are detailed in the Code.

Short Term Employee Benefits

Short term employee benefits are those due to be settled within 12 months of the end of the reporting period. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees. They are recognised as an expense for services in the reporting period in which employees render service to the authority.

The authority recognises short term accumulating paid absences (i.e. annual leave and flexi leave) when employees render services that increases their entitlement to future paid absences. These type of short term paid absences are measured as the additional amount that the authority expects to pay as a result of unused entitlement that has accumulated at the Balance Sheet date including associated employer's national insurance and pension contributions. The obligation is recognised even if the compensating absences have not yet vested at the reporting date. The possibility that employees may leave before they use an accumulating non vesting entitlement and their entitlement lost is taken into account in measuring the obligation. The authority makes an accrual for the cost of accumulating absences earned by employees but not taken before the end of the reporting period which employees can carry forward into the next reporting period. The accrual is charged to the surplus / deficit on the provision of services within the CIES, but then reversed out through the MiRS so that leave benefits are charged to revenue in the reporting period in which the leave absence occurs.

The authority recognises short term non accumulating absences (i.e. sick leave, maternity leave, paternity leave and jury service) when the absence occurs.

The cost of providing non monetary benefits (benefits in kind) is recognised according to the same principles as benefits payable in cash; the amount recognised is the cost to the authority of providing the benefit.

K. Employee Benefits – Termination Benefits

The authority accounts for termination benefits in accordance with IAS 19 *Employee Benefits*, except where adaptations to fit the public sector are detailed in the Code.

Recognition

The authority recognises a liability and an expense for termination benefits at the earlier of the following dates:

- when the authority can no longer withdraw the offer of those benefits; and
- when the authority recognises costs for a restructuring that is within the scope of the provisions, contingent liabilities and contingent assets section of the Code and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

For termination benefits payable as a result of an employee's decision to accept an offer of benefits in exchange for the termination of employment, the time when the authority can no longer withdraw the offer of termination benefits is the earlier of:

- when the employee accepts the offer; or,
- when a restriction (e.g. a legal, regulatory or contractual requirement or other restriction) on the authority's ability to withdraw the offer takes effect.

For termination benefits payable as a result of the authority's decision to terminate an employee's employment, the authority can no longer withdraw the offer when the authority has communicated to the affected employees a plan of termination meeting all of the following criteria:

- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made;
- the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations (but the plan need not identify each individual employee) and the expected completion date;
- the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

Measurement

The authority measures termination benefits on initial recognition and measures and recognises subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post employment benefits, the authority applies the requirement for post employment benefits. Otherwise:

- if the termination benefits are expected to be settled wholly before 12 months after the end of the reporting period in which the termination benefit is recognised, the authority applies the requirements for short term employee benefits;
- if the termination benefits are not expected to be settled wholly before 12 months after the end of the reporting period in which the termination benefit is recognised, the authority applies the requirements for other long term employee benefits;

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the reporting period, not the amount calculated according to the relevant accounting standards. In the MiRS, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the end of the reporting period.

L. Employee Benefits – Post Employment Benefits

The authority accounts for post employment benefits in accordance with IAS 19 *Employee Benefits*, except where adaptations to fit the public sector are detailed in the Code.

Employees of the authority are entitled to become members of one of three separate post employment benefit schemes (i.e. pension schemes) according to the terms of their employment:

- the Local Government Pensions Scheme, administered by East Sussex County Council;
- the Teachers' Pension Scheme, administered by Teachers' Pensions (TP) on behalf of the Department for Education (DfE);
- the National Health Service (NHS) Pension Scheme, administered by the NHS Business Service Authority on behalf of the NHS.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority. However, arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority and are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits is recognised on the Balance Sheet.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The authority accounts for the scheme by:

- Determining the net defined benefit liability which involves the following steps:
  - estimating the cost to the authority of the benefit that employees have earned in return for their service in the current and prior periods. Actuarial techniques are used to make a reliable estimate of the ultimate cost to the authority of the benefit that employees have earned in return for their service in the current and prior periods. This requires the authority to: Make estimates (actuarial assumptions) about demographic variables such as mortality, employee turnover and expected early retirement where the employee has the right under the plan rules and financial assumptions such as future increase in salary levels;
  - determining how much benefit is attributable to the current and prior periods. Benefits are attributed to periods of service in accordance with a scheme's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, benefits are attributed on a straight line basis until the date when further service by the employee will lead to no material amount of further benefits;
  - discounting the benefit in order to determine the present value of the defined benefit obligation and the current service cost. The projected unit credit 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) is used to determine the present value of the authority's defined benefit obligation and the related current service cost and past service cost;
  - determining the rate used to discount post employment benefit obligations by reference to market yields at the Balance Sheet date on high quality corporate bonds; the currency and term of the corporate bonds being consistent with the currency and estimated term of the post employment benefit obligation;
  - deducting the fair value of any scheme assets from the present value of the defined benefit obligation.
- Determining the amounts to be recognised in the surplus / deficit on the provision of service within the CIES, comprising:
  - current service cost;
  - any past service cost and gain or loss on settlement; and,
  - net interest on the net defined benefit liability.
- Determining the remeasurements of the net defined benefit liability to be recognised in other comprehensive income and expenditure within the CIES, comprising:
  - actuarial gains and Losses;
  - return on plan assets, excluding amounts included in net interest on the net defined benefit liability.

  Remeasurements of the net defined benefit liability are not reclassified to the surplus / deficit on the provision of services in a subsequent period.

The authority recognises past service cost as an expense at the earlier of the following dates:

- when the scheme amendment or curtailment occurs; or,
- when the authority recognises related restructuring costs or termination benefits.

The authority does not distinguish between past service cost resulting from a plan amendment, past service cost resulting from a curtailment and a gain or loss on settlement if these transactions occur together. Before determining the past service cost or a gain or loss on settlement, the authority remeasures the net defined benefit liability using the current fair value of the scheme's assets and current actuarial assumptions reflecting the benefits offered under the scheme before the scheme amendment, curtailment or settlement.

The authority recognises a gain or loss on settlement when the settlement occurs.

The net interest on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

The authority recognises the net defined benefit liability in its Balance Sheet. The movement in remeasurements of the net defined benefit liability is recognised in the pension reserve on the Balance Sheet.

The contributions paid to the pension fund (i.e. cash paid as employer's contributions to the pension fund in settlement of liabilities) are charged to the surplus / deficit on the provision of services within the CIES.

In relation to post employment benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the reporting period, not the amount calculated according to the relevant accounting standards. The authority is not required to charge the General Fund balance and HRA balance with expenditure in respect of liabilities for retirement benefits but instead is required to maintain a pensions reserve to which the pension liabilities are charged. The amount that is charged to the General Fund balance for providing pensions for employees is the amount payable for the reporting period in accordance with the statutory requirements governing the particular pension schemes in which the authority participates. Where this amount does not match the amount charged to surplus / deficit on the provision of services for the reporting period, the difference is taken to the pensions reserve through the MiRS; the notional debits and credits for retirement benefits are removed and replaced with debits for the cash paid to the pension scheme and pensioners and any such amounts payable but unpaid at the end of the reporting period. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees. The amount that is charged to the HRA for providing pensions for employees is the amount payable for the reporting period in accordance with the statutory requirements governing the particular pension schemes in which the authority participates. Where the amount payable for the reporting period in accordance with the scheme requirements does not match the amount included in the HRA Income and Expenditure Statement for the reporting period, the recognised cost of pensions borne by the HRA will not match the amount required by statute. This is dealt with by showing the difference as a reconciling item in the Statement of Movement on the Housing Revenue Account Balance.

Where the pension costs charged to the surplus / deficit on the provision of services in the CIES or HRA Income and Expenditure Statement under the Code are:

- larger than the amount payable for the reporting period in accordance with the scheme requirements, the General Fund balance or HRA balance as appropriate is credited and the pensions reserve debited with the difference;
- smaller than the amount payable for the reporting period in accordance with the scheme requirements, the General Fund balance or HRA balance as appropriate are debited and the pensions reserve credited with the difference.

Teachers and NHS Pension Schemes

The Teachers and NHS Pension Schemes are accounted for as defined contribution schemes. The authority charges the employer's contributions payable to Teachers' and NHS Pensions in the reporting period to the surplus / deficit on the provision of services (under the relevant service line) within the CIES.

The authority does not recognise any liability for future payment of benefits in its Balance Sheet; it recognises a creditor on the Balance Sheet for deductions made in March which are not paid over to the scheme until the new reporting period.

Discretionary Benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any employee (including teachers) are accrued in the reporting period of the decision to make the award and accounted for using the same accounting policies as are applied to the Local Government Pension Scheme.

M. Creditors

The authority accounts for creditors in accordance with IAS 18 *Revenue*, IPSAS 23 *Revenue from Non Exchange Transactions (Taxes and Transfers)* and IAS 39 *Financial Instruments: Recognition and Measurement*, except where adaptations to fit the public sector are detailed in the Code.

This accounting policy should be read in conjunction with the accounting policies for Revenue Recognition and Financial Instruments.

Creditors are recognised when ordered goods or services have been delivered or rendered to the authority.

Creditors are recognised and measured at the fair value of the consideration payable (typically in the form of cash and cash equivalents) except for a financial liability (see *financial instruments* accounting policy).

Financial liabilities relating to such things as council tax, general rates etc. are measured at the full amount payable as they are non contractual, non exchange transactions (see *financial instruments* accounting policy).

If payment by the authority is on deferred terms (i.e. beyond normal credit terms), the consideration payable is recognised initially at the cash price equivalent (that is the discounted amount). The difference between this amount and the total payments is recognised as interest expense in the surplus / deficit on the provision of services within the CIES.

In the event that consideration is received but the revenue does not meet the revenue recognition criteria (see *revenue recognition* accounting policy), the authority recognises a creditor (i.e. receipt in advance) in respect of that inflow of resources.

N. Provisions

The authority accounts for provisions in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, except where adaptations to fit the public sector are detailed in the Code.

The authority recognises a provision where an event has taken place that gives the authority a present obligation (legal or constructive) that requires settlement by either a transfer of economic benefits or service potential to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

In cases where it is not clear whether there is a present obligation, the authority deems that a past event gives rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the reporting date.

The amount recognised as a provision by the authority is the best estimate of the present value of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that surround many events and circumstances are taken into account in reaching the best estimate of a provision. Future events that may affect the amount required to settle an obligation are also reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Where the authority has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. The authority also recognises provisions for restructuring costs where they meet the recognition criteria. However, provisions are not recognised for future operating losses.

In the case where no reliable estimate can be made, a liability exists that cannot be recognised, that liability is disclosed as a contingent liability by the authority (see *contingent liabilities* accounting policy).

Provisions are charged as an expense to the appropriate service line in the surplus / deficit on the provision of services within the CIES in the reporting period that the authority becomes aware of the obligation.

When payments are eventually made, they are charged to the provision carried on the Balance Sheet.

Estimated settlements are reviewed at the end of each reporting period. 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 surplus / deficit on the provision of services within the CIES.

For each class of provision, the authority discloses a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential, an indication of the uncertainties about the amount or timing of those outflows, and the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

O. Reserves

The authority considers amounts set aside for purposes falling outside the definition of provisions as reserves. The authority holds a number of reserves including earmarked reserves which are used to set aside amounts for specific policy purposes, balances which represent resources set aside for purposes such as general contingencies and cash flow management, reserves for specific statutory purposes and reserves to comply with proper accounting practice.

Reserves are created by appropriating amounts out of the General Fund balance or HRA balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that reporting period in the surplus / deficit on the provision of services within the CIES. The reserve is then appropriated back into the General Fund balance or HRA balance in the MiRS so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the authority; these reserves are covered in the relevant accounting policies.

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

Any carry forward of approved underspend is held on the Balance Sheet as a reserve.

P. Contingent Liabilities and Contingent Assets

The authority accounts for contingent liabilities and assets in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, except where adaptations to fit the public sector are detailed in the Code.

Contingent Liabilities

The authority recognises a contingent liability when it has either:

(i) a possible obligation which has arisen from past events whose existence has been confirmed by the occurrence of one or more certain future events not wholly within the authority's control; or

(ii) a present obligation has arisen from past events but has not been recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements but are disclosed as a note to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

The authority continually assesses contingent liabilities to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a contingent liability, the authority recognises a provision in the financial statements of the period in which the change in probability occurs (see *provisions* accounting policy). A contingent liability is disclosed in the case where a liability exists but a reliable estimate cannot be made.

Unless the possibility of any outflow in settlement is remote, the authority discloses, for each class of contingent liability, a brief description of the nature of the contingent liability and, where practicable, an estimate of its financial effect measured using the principles set out in the Code, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement. Where it is not practicable to disclose information, the authority discloses that fact.

In cases where disclosure of some or all of the information is expected to prejudice seriously the position of the authority in a dispute with other parties on the subject matter of the contingent liability, the authority does not disclose the information, but instead discloses the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Contingent Assets

The authority recognises a contingent asset when it has a possible asset that has arisen from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

Contingent assets are not recognised in the financial statements but are disclosed as a note to the financial statements, where an inflow of economic benefits or service potential is probable. Contingent assets are not recognised if it is not probable that there will be an inflow of economic benefit or service potential or it cannot be reliably measured.

The authority continually assesses contingent assets to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, a debtor (or cash where consideration has been received) and the related revenue are recognised in the financial statements of the period in which the change occurs.

Where an inflow of economic benefits or service potential is probable the authority discloses, for each class of contingent asset, 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 inflow and the possibility of any reimbursement. Where it is not practicable to disclose information, the authority discloses that fact.

In cases where disclosure of some or all of the information is expected to prejudice seriously the position of the authority in a dispute with other parties on the subject matter of the contingent asset, the authority does not disclose the information, but instead discloses the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Q. Overheads and Support Services

The authority fully recharges the costs of central and departmental overheads (i.e. management and administration costs) and support services to those services that benefit from the supply or service in accordance with the costing principles of the SeRCOP. The authority uses the total absorption costing principle. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core – costs relating to the authority’s status as a multifunctional, democratic organisation;
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the CIES, as part of cost of services.

All support service costs are charged to their users, including services to the public, divisions of services, trading undertakings, capital accounts, services provided for other bodies and other support services, using the most appropriate apportionment base.

The cost of service management is apportioned to the accounts representing the activities managed.

R. Property, Plant and Equipment (PPE)

The authority accounts for non current assets in accordance with IAS 16 *Property, Plant and Equipment*, except where adaptations to fit the public sector are detailed in the Code.

This accounting policy does not apply to PPE classified as non current assets held for sale (see *Non Current Assets Held for Sale* accounting policy) or those classified as investment property (including Investment Property under construction) (see *Investment Property* accounting policy) or those classified as heritage assets (see *Heritage Assets* accounting policy) or donated assets (see *Donated Assets* accounting policy).

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one reporting period are classified as PPE.

Recognition

The authority recognises (and capitalises) expenditure on the acquisition, creation or enhancement of PPE as an asset on its Balance Sheet provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Such items include the initial costs of acquisition and construction and costs incurred subsequently to add to, replace part of or service the asset. Expenditure that does not meet these recognition criteria is charged to the relevant cost of service within the CIES as it is incurred.

The authority does not capitalise subsequent costs arising from the day to day servicing of an asset (i.e. labour costs and consumables), commonly known as “repairs and maintenance” as they do not meet the above recognition principle.

The authority has a deminimis level of £20,000 for land and buildings and vehicles, plant and equipment. Items of expenditure below this deminimis level are charged to the relevant cost of service within the CIES in the reporting period it is incurred. In certain cases, the authority capitalises particular items of expenditure that is below its deminimis level, for example; expenditure funded by grant where the conditions state that the grant should only be applied to capital items of expenditure. The authority has no deminimis level for enhancement expenditure and therefore all enhancement expenditure is capitalised.

Where a component is replaced, the authority derecognises the carrying amount of the old component and reflects the new component in the carrying amount; this is also subject to the above recognition principle.

Initial Measurement

An item of PPE that qualifies for recognition as an asset is measured at its cost and is capitalised on an accruals basis. The measurement of costs comprises purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the authority, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

Please refer to the *leases* accounting policy in respect of the cost of an item of PPE held by the authority under a finance lease.

Measurement after Recognition

Vehicles, plant, furniture and equipment, Infrastructure, community assets, and assets under construction (excluding investment properties under construction) are measured at historical cost. All other classes of PPE are measured at fair value; council dwellings fair value is determined using the basis of existing use value for social housing (EUV-SH) and all other assets fair value is determined as the amount that would have been paid for the asset in its existing use (existing use value – EUV).

If there is no market based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, the authority estimates the fair value using a depreciated replacement cost (DRC) approach.

The authority adopts a depreciated historical cost basis as a proxy for fair value for non property assets that have short useful lives or low values (or both) (i.e. vehicles, plant and equipment).

Assets included on the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the end of the reporting period, but as a minimum every five years. The authority revalues items within a class of PPE simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. Classes of assets whose fair value can be measured reliably are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment. When an asset is revalued, any accumulated depreciation and impairment at the date of valuation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Where, following revaluation of an individual land and/or building asset, the value drops below the deminimis level, the deminimis value of the asset is impaired to nil.

Where the carrying amount of PPE is increased as a result of a revaluation, the increase is recognised in the revaluation reserve, unless the increase is reversing a previous impairment loss charged to the surplus / deficit on the provision of services within the CIES on the same asset or reversing a previous revaluation decrease charged to the surplus / deficit on the provision of services on the same asset.

A revaluation gain is used to reverse a previous revaluation decrease recognised in the surplus / deficit on the provision of services on the same asset. The reversal of a revaluation decrease previously recognised in the surplus / deficit on the provision of services cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no revaluation decrease been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no revaluation decrease been recognised for the asset in prior reporting periods is treated as a revaluation gain and credited to the revaluation reserve.

Where the carrying amount of an item of PPE is decreased as a result of a revaluation (as opposed to an impairment), the decrease is recognised in the revaluation reserve up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in the surplus / deficit on the provision of services within the CIES.

Revaluation gains or losses charged to the surplus / deficit on the provision of services within the CIES are not proper charges to the General Fund; such amounts are transferred to the CAA and reported in the MiRS. Any revaluation gains or losses charged to the surplus / deficit on the provision of services within the CIES impairment loss in respect of HRA dwellings and non dwellings are actual charges to the HRA balance and are therefore charged to the HRA Income and Expenditure Statement but not reversed via the MiRS. In respect of HRA dwellings, there are transitional arrangements in place which allow the charge to be reversed out of the MiRS. This transfer is only permitted on a transitional basis as specified by the *Item 8 Credit and Item 8 Debit (General) Determination.*

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 CAA.

Valuations for the HRA dwellings and garages and car park assets are undertaken annually. Methods of valuation for both dwellings and garages and car parking spaces are conducted following government guidance on stock valuation for resource accounting. The approach taken 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 authority's 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.

Impairment

See *Impairment of Assets* accounting policy.

Depreciation

The authority accounts for land and buildings as separate assets even when they are acquired together. Depreciation is applied to all PPE, regardless of whether held at historical cost or revalued amount, except for investment properties carried at fair value and land where it can be demonstrated that the asset has an indefinite useful life.

The authority does not depreciate assets until they are available for use (i.e. when they are in location and condition necessary for them to be capable of operating in the manner intended by the authority). The authority ceases the depreciation of an asset at the earlier of the date that the asset is classified as held for sale and the date the asset is derecognised.

The authority does not depreciate community assets because they are held in perpetuity, have an indeterminable life and have restrictions on their disposal.

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, the authority groups these parts in determining the depreciation charge.

The depreciation charge is based on the depreciable amount allocated over the useful life of the asset, using a straight line allocation method.

The depreciation charge for each period is recognised in the surplus / deficit on the provision of services within the CIES. As depreciation is not a proper charge to the General Fund, it is subsequently transferred to the CAA and reported in the MiRS.

However, for HRA non dwellings depreciation charged to the surplus / deficit on the provision of services, in the HRA is charged in accordance with the requirements of *the Item 8 Credit and Item 8 Debit (General) Determination.* Depreciation for HRA non dwellings charged to the surplus / deficit on the provision of services is a proper charge to the HRA however the impact on balances is mirrored by an equal increase in the major repairs reserve (effectively a transfer from revenue to capital).

The depreciation charges for HRA dwellings are also real charges to the HRA. Depreciation for HRA dwellings charged to the HRA is subject to statutory provisions designed to specify the impact on the HRA, therefore the authority makes the following entries in respect of the major repairs reserve:

- the major repairs reserve is credited and the HRA balance (HRA Income and Expenditure Statement) is debited with an amount equal to the depreciation charged to the HRA. In order to neutralised the impact on the HRA, a corresponding transfer is made where the HRA balance is credited and the CAA is debited with both transactions reflected in the MiRS;
- where depreciation charges for HRA dwellings are greater than the notional major repairs allowance (MRA), an amount equal to the difference is permitted to be transferred to the HRA from the major repairs reserve and reported in the MiRS. This transfer is only permitted on a transitional basis as specified by *the Item 8 Credit and Item 8 Debit (General) Determination;*
- the HRA balance, via the MiRS, is debited with an amount equal to the amount that has been credited to the HRA for decent homes backlog funding and a corresponding credit to the major repairs reserve in accordance with the requirements of *the Item 8 Credit and Item 8 Debit (General) Determination.*

The authority 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 historical cost being transferred each reporting period from the revaluation reserve to the CAA.

The authority reviews the residual value, useful life and depreciation method at each financial year end. If there is any change in expectations from previous estimates in relation to the residual value and/or useful life and/or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the changes are accounted for as a change in an accounting estimate.

Derecognition

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, the authority reclassifies the asset as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to other operating expenditure in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus / deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset on the Balance Sheet (whether PPE or assets held for sale) is written off to other operating expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also 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 accumulated for the asset in the revaluation reserve are transferred to the CAA.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government, the proportion is calculated by deducting prescribed amounts from the total receipts for transaction costs, the authority's share and the Government's share (approximately two thirds of receipts less transaction costs and allowable debt but only up to a share cap) with any remaining receipts to be used to fund new build schemes. The remaining receipts are required to be credited to the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the capital receipts reserve from the General Fund balance or HRA balance in the MiRS.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the CAA from the General Fund balance or HRA balance in the MiRS.

The consideration receivable on disposal of an asset is recognised initially at its fair value. If payment is deferred (i.e. beyond normal credit terms), the consideration received is recognised initially at the cash price equivalent (that is, the discounted amount). The authority recognises the difference between this amount and the total payments received as interest revenue in the surplus / deficit on the provision of services within the CIES.

Minimum Revenue Provision (MRP)

The authority is required to make an annual provision (i.e. MRP) from revenue to contribute towards the reduction in its overall borrowing requirement in relation to assets calculated in accordance with statutory guidance. MRP is a proper charge to the General Fund, but does not appear in the CIES. Such amounts are transferred from the CAA and reported in the MiRS.

S. Heritage Assets

The authority accounts for heritage assets in accordance with FRS 30 *Heritage Asset* and in respect of intangible heritage assets IPSAS 31 *Intangible Assets*, except where adaptations to fit the public sector are detailed in the Code.

This accounting policy does not apply to operational heritage assets (i.e. those assets that, in addition to being held for their heritage characteristics, are also used by the authority for other activities or to provide other services) (see *PPE* accounting policy).

Recognition

The authority defines a tangible heritage asset as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The authority defines an intangible heritage asset as an intangible asset with cultural, environmental or historical significance.

Where the authority has information on the cost or value of a heritage asset, the authority recognises the asset on its Balance Sheet. Where this information is not available and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the authority does not recognise the asset on its Balance Sheet.

The authority has a deminimis level of £20,000 for heritage assets. Items of expenditure below this deminimis level are charged to the relevant cost of service within the CIES in the year it is incurred.

Initial Measurement

The authority recognises heritage assets initially at cost in accordance with its initial measurement policy for PPE in respect of tangible heritage assets (see *PPE* accounting policy) and in accordance with its initial measurement policy for intangible assets in respect of intangible heritage assets (see *intangible assets* accounting policy).

Any heritage assets donated to the authority or acquired by the authority at less than fair value, are measured in accordance with the authority's policy for donated assets (see *grants, contributions and donated assets* accounting policy).

Measurement after Recognition

Wherever possible, the authority measures heritage assets at valuation. Where, it is not practical for the authority to obtain a valuation for a heritage asset, at a cost which is commensurate with the benefits to the users of the financial statements, heritage assets are measured at historical cost (less any accumulated depreciation, amortisation and impairment losses).

In the majority of cases, the authority uses insurance valuations as a measurement basis of the value of heritage assets.

Where revaluation of a heritage asset takes place, the authority accounts for this revaluation in accordance with its revaluation policy on PPE (see separate policy for *PPE*)

The carrying values of heritage assets are reviewed with sufficient frequency to ensure the valuations remain current.

Impairment

Where there is evidence of impairment of a heritage asset specifically due to physical deterioration of the asset or where there are new doubts as to the authenticity of the asset, the authority will carry out an impairment review.

Any impairment of a heritage asset is accounted for in accordance with the authority's accounting policy on the impairment of assets (see *impairment of assets* accounting policy).

Depreciation and Amortisation

The authority does not charge depreciation on heritage assets (or amortisation in the case of intangible heritage assets) as they are viewed to have indefinite lives and a high residual value.

Donations

The authority accounts for the receipt of donations of heritage assets in accordance with its accounting policy on donated assets (see *grants, contributions and donated assets* accounting policy).

Derecognition

Where heritage assets are disposed of, the authority accounts for the disposal in accordance with its disposal policy on PPE for tangible heritage assets (see *PPE* accounting policy) and in accordance with its disposal policy on intangible assets for intangible heritage assets (see *intangible assets* accounting policy).

T. Leases and Lease Type Arrangements

The authority accounts for leases in accordance with IAS 17 *Leases* except where adaptations to fit the public sector are detailed in the Code.

This accounting policy does not apply to the measurement of property held by the authority, as lessee, that is accounted for as investment property or investment property provided by the authority, as lessor, under operating leases (see *investment property* accounting policy).

Lease Classification

The authority classifies leases as either finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The authority uses the examples of situations in the Code to aid the classification; the example situations that individually or in combination would normally lead to a lease being classified as a finance lease in the Code are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised;
- the lease term is for the major part of the economic life of the asset;
- the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset (except for leases of assets provided on non commercial terms i.e. for nominal or peppercorn rent or lease payments); and
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

As the example situations are not always conclusive, the authority applies the policy that if it is clear from other features that the lease does not transfer substantially all risks and rewards incidental to ownership, the lease is classified as an operating lease.

Lease classification is made at the inception of the lease.

Leases of land and buildings are classified as finance or operating leases in the same way as leases of other assets. However, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. When the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

When accounting for a lease of land and buildings, the minimum lease payments are allocated between the land and the buildings elements in proportion to their relative fair values. Where the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for lease classification.

Lessee Finance Leases

PPE held under a finance lease is recognised on the Balance Sheet at the commencement of the lease. As lessee, the authority recognises finance leases as assets and liabilities at amounts equal to the fair value of the property or, if lower, the present value of the minimum lease payments.

The discount rate used is the rate implicit in the lease or, if it is not practicable to determine, the authority uses its incremental borrowing rate. Any initial direct costs are added to the value of the asset.

Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability (i.e. a charge for the acquisition of the interest in the PPE). The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability; the authority uses approximation to allocate the finance lease payments between interest and capital. The finance charge is debited to financing and investment income and expenditure in the CIES.

Contingent rents are charged as expenses in the periods in which they are incurred.

PPE recognised under a finance lease, as a lessee, is accounted for using the policies applied generally to such assets. Assets recognised under a finance lease, as a lessee, are depreciated in accordance with the authority’s depreciation policy for owned assets. Where it is not certain that ownership of the asset will transfer at the end of the lease, the asset is depreciated over the shorter of the lease term and its useful economic life. After initial recognition, assets recognised under a finance lease are subject to revaluation in the same way as any other asset.

Depreciation, impairment and gains and losses on revaluation are charged to the surplus / deficit on the provision of services within the CIES. As these charges are not proper charges to the General Fund or HRA the amounts are transferred to the CAA and reported in the MiRS.

The authority is required to make an annual provision (i.e. MRP) from revenue to contribute towards the reduction in its overall borrowing requirement in relation to assets calculated in accordance with statutory guidance. MRP is a proper charge to the General Fund, but does not appear in the CIES. Such amounts are transferred from the CAA and reported in the MiRS.

Lessee Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

Lessor Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset on the Balance Sheet (whether PPE or assets held for sale) is written off to other operating expenditure in the CIES as part of the gain or loss on disposal. A gain, representing the authority’s net investment in the lease, is credited to the same line in the CIES also 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), matched by a lease (long term debtor) asset on the Balance Sheet.

As lessor, the authority recognises assets held under a finance lease as a receivable at an amount equal to the net investment in the lease. Lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property, applied to write down the lease debtor (together with any premiums received), and finance income (credited to financing and investment income and expenditure in the CIES). The finance income is calculated so as to produce a constant periodic rate of return on the net investment; the authority uses approximation to allocate lease payments between the repayment of principal and finance income.

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund balance or HRA balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the MiRS. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance or HRA balance to the deferred capital receipts reserve in the MiRS. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the CAA from the General Fund balance or HRA balance in the MiRS.

Lessor Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. As lessor, the authority presents assets subject to operating leases according to the nature of the asset. Assets recognised under an operating lease, as a lessor, are depreciated in accordance with the authority’s depreciation policy for owned assets.

Costs, including depreciation, incurred in earning the lease income are recognised as an expense.

Rental income from operating leases is recognised over the lease term in the CIES.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Assets Disposed of by Means of a Finance Lease

Gains and losses on the disposal of property, plant or equipment by way of a finance lease are subject to the requirements under the authority’s *PPE* accounting policy. Gains and losses on the disposal of an investment property by way of a finance lease are subject to the requirements under the authority’s *investment property* accounting policy.

Amounts received as part of the repayment of a finance lease that reduces the authority’s obligation are classed as capital receipts. The authority recognises the capital receipt by debiting the CAA and crediting the capital receipts reserve.

Arrangements containing a Lease

The authority may enter into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of PPE) in return for a payment or series of payments. The authority classifies arrangements as a lease or containing a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (i.e. the right to control the use of the underlying asset).

The authority determines that fulfilment of the arrangement is dependent on the use of a specific asset if an asset is explicitly identified in the arrangements. However although a specific asset may be explicitly identified in an arrangement, it is not the subject of a lease if fulfilment of the arrangement is not dependent on the use of the specified asset. An asset has been implicitly specified if, for example, the supplier owns or leases only one asset with which to fulfil the obligation and it is not economically feasible or practicable for the supplier to perform its obligation through the use of alternative assets.

The authority determines that the arrangement conveys a right to use the asset if any one of the following conditions is met:

- the authority has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;
- the authority has the ability or right to control physical access to the underlying asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;
- facts and circumstances indicate that it is remote that one or more parties other than the authority will take more than an insignificant amount of the output or other utility that will be produced or generated by the asset during the term of the arrangement, and the price that the authority will pay for the output is neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery of the output.

The assessment of whether an arrangement contains a lease is made at the inception of the arrangement. A reassessment of whether the arrangement contains a lease after the inception of the arrangement is made by the authority only if any one of the following conditions is met:

- there is a change in the contractual terms, unless the change only renews or extends the arrangement;
- a renewal option is exercised or an extension is agreed to by the parties to the arrangement, unless the term of the renewal or extension had initially been included in the lease term;
- there is a change in the determination of whether fulfilment is dependent on a specified asset;
- there is a substantial change to the asset, for example a substantial physical change to property, plant or equipment.

If an arrangement contains a lease, that lease is classified as a finance lease or an operating lease in accordance with the authority's *leases* accounting policy.

U. Private Finance Initiative (PFI) and Similar Contracts

The authority accounts for PFI and similar schemes in a manner that is consistent with the adaptations of IFRIC 12 *Service Concession Arrangements* contained in the government's *Financial Reporting Manual (FReM).*

PFI and similar contracts are agreements to receive services, where the responsibility for making available the PPE needed to provide the services passes to the contractor. As the authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the PPE will pass to the authority at the end of the contracts for no additional charge, the authority carries the assets used under the contracts on its Balance Sheet as part of PPE.

The authority applies two control tests in determining whether an arrangement is to be accounted for as a PFI or similar arrangement:

- whether the authority controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price;
- whether the authority controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where neither test is met, the authority recognises expenditure as it is incurred. Where the first test is met but the second test is not, the authority considers whether the arrangement meets the definition of a lease (see *leases* accounting policy). Where the second test is met but the first test is not, the authority recognises as an asset the excess of the expected fair value of the infrastructure at the end of the arrangement over the amount it will be required to pay the operator upon reversion. The asset is built up from payments made by the authority to the operator over the life of the PFI or similar arrangement.

Where both control tests are met, the authority accounts for the arrangement as a PFI or similar arrangement.

Recognition

Infrastructure within the scope of a PFI or similar arrangement is recognised by the authority as PPE with a related liability being recognised at the same time. The infrastructure and related liability is recognised at the point that it is probable that future economic or service benefits associated with the infrastructure will flow to the authority; and at the point that the cost of the infrastructure can be measured reliably. This is when the asset is made available for use unless the authority bears an element of the construction risk. Where the authority does bear the construction risk, it recognises an asset under construction prior to the asset being made available for use where it is probable that the expected future benefits attributable to the asset will flow to the authority. Separate assets are recognised in respect of land and buildings where appropriate.

Non current assets in relation to PFI or similar arrangements recognised on the Balance Sheet are accounted for using the policies applied generally to other PPE owned by the authority.

Where the operator enhances infrastructure already recognised on the Balance Sheet of the authority, the authority recognises the fair value of the enhancement in the carrying value of the infrastructure where the recognition criteria are met (see *PPE* accounting policy). The policy of componentising assets also applies to PFI or similar arrangements and this approach is adopted for PFI or similar arrangements where appropriate. Where components of the existing infrastructure are replaced, the authority applies the derecognition policy (see *PPE* accounting policy). A new liability is recognised or the existing liability increased to reflect the authority's requirement to pay for the enhancement.

Measurement

For assets owned by the authority prior to the PFI or similar contract and then transferred to the operator as part of the contract, the asset is recognised at the fair value at the time the asset was transferred. For assets acquired or constructed by the operator under the 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 operator to pay for the assets.

Where a PFI or similar arrangement can be separated into a service element and a construction element, the service element is expensed as incurred and the construction element is accounted for as if it were a finance lease and allocated into an element relating to the repayment of the liability and an interest element in accordance with the arrangements for a finance lease (see *leases* accounting policy). The interest element is charged as incurred to the surplus / deficit on the provision of services within the CIES, with the balance of the payment used to reduce the outstanding liability on the Balance Sheet. Subsequent to initial recognition, the infrastructure is measured following the authority's principles for assets acquired under a finance lease (see *leases* accounting policy). The liability is measured in a similar manner to the liability resulting from a finance lease. The liability is reported as a financial liability but is measured under the *leases* accounting policy.

Where a PFI or similar arrangement cannot be separated into a service element and a construction element, the infrastructure and related liability is measured initially at the fair value of the infrastructure. In this case, subsequent to initial recognition, the infrastructure shall be measured following the authority's principles for assets purchased or constructed by the authority (see *PPE* accounting policy). Where the PFI or similar arrangement cannot be separated into construction and service elements, the amounts payable to the operator each year (i.e. the total unitary payment) are analysed into three elements:

- the service charge element – the fair value of the services received during the reporting period – charged to the relevant cost of service within the CIES;
- repayment of the liability – applied to write down the Balance Sheet liability to the PFI operator;
- interest element – an interest charge (using the interest rate implicit in the contract) on the outstanding Balance Sheet liability, charged to financing and investment income within the CIES. Where it is not possible to determine the rate implicit in the contract, the authority uses its cost of capital rate (including inflation).

The liability is measured as a financial instrument based on the repayment of the liability element and the imputed finance charge element of the scheduled payments above, using the same actuarial method used for finance leases (see *leases* accounting policy).

Prepayments and Capital Contributions

Where PFI or similar contracts are structured to require payments to be made (either as part of a unitary payment or as a lump sum contribution) before the related infrastructure is recognised as an asset on the Balance Sheet, these payments are recognised as prepayments. The prepayments are applied to reduce the outstanding liability.

Any prepayments and contributions are taken into account when estimating the fair value of the asset and liability and the separation of payments into the liability, interest and service charge elements.

Depreciation and Impairment

Assets recognised under a PFI or similar arrangements are depreciated and revalued using the policies applied generally to other PPE owned by the authority (see *PPE* accounting policy). In assessing the economic life of the asset, the authority considers the terms of the arrangement.

Where there is evidence that an asset recognised under a PFI or similar arrangement may have been impaired, an impairment review will be carried out. Where an asset has been impaired, the authority accounts for the impairment in accordance with the authority's policy applied to other PPE (see *impairment* accounting policy).

Income Received

The authority recognises any income received as a result of a revenue sharing clause with a PFI or similar arrangement as it is earned. The authority also recognises any income due from the operator under a PFI or similar arrangement as it is earned over the life of the agreement.

V. Investment Property

The authority accounts for investment property in accordance with IAS 40 *Investment Property* except where adaptations to fit the public sector are detailed in the Code.

This accounting policy applies only to investment property interests held by the authority, as a lessor, under a lease and to investment property provided to the authority, as a lessee, under an operating lease. Other aspects of lease accounting are covered by the *leases* accounting policy.

Classification

The authority only accounts for property that is used solely to earn rentals and/or for capital appreciation or both as investment property.

Owner occupied property is accounted for as PPE (see *PPE* accounting policy).

Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation is accounted for as PPE by the authority (see *PPE* accounting policy).

Recognition and Measurement

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the authority and the cost or fair value of the investment property can be measured reliably.

The authority evaluates the costs of an investment property when they are incurred. The costs include acquisition costs and costs incurred subsequently to add to, replace part of or service an investment property, but do not include day to day repairs and maintenance.

Investment property is measured initially at cost. The cost of an investment property includes its purchase price, transaction costs and directly attributable expenditure. Where an investment property is acquired through a non exchange transaction, its cost is measured at its fair value as at the date of acquisition. The initial cost of a lease interest classified as an investment property is as prescribed for a finance lease (see *leases* accounting policy). Where an investment property is acquired in exchange for a non monetary asset, the cost of the investment property is its fair value at the time of the exchange, or, where this cannot be reliably determined, the carrying amount of the asset given up.

After initial recognition, investment property is measured at fair value. A gain or loss arising from a change in the fair value of investment property is recognised as financing and investment income and expenditure in the surplus / deficit on the provision of services within the CIES for the period in which it arises. A revaluation gain or loss is not a proper charge to the General Fund. As a result, the gain or loss is reversed out in the MiRS and posted to the CAA. Any revaluation gains or losses charged to the surplus / deficit on the provision of services within the CIES impairment loss in respect of HRA dwellings and non dwellings are actual charges to the HRA balance and are therefore charged to the HRA Income and Expenditure Statement but not reversed via the MiRS.

Where part of an investment property is replaced, the authority recognises in the carrying value of the investment property the cost of the replacement; the carrying amount of those parts that are replaced is derecognised where it is assessed as being material.

The carrying values of investment property are reviewed annually.

The authority does not charge depreciation on investment property.

Derecognition

An investment property is derecognised on disposal (by sale or by entering into a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are recognised as financing and investment income and expenditure in the surplus / deficit on the provision of services within the CIES in the period of the retirement or disposal. The gain or loss is not a proper charge to the General Fund or HRA. As a result the General Fund or HRA is debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on derecognition of the investment property (net of any disposal costs), with a credit to the capital receipts reserve of an amount equal to the disposal proceeds and a debit to the CAA of an amount equal to the carrying amount of the investment property. The cost of disposal in relation to the General Fund remains as a charge to the CIES against the General Fund balance; however, HRA disposal costs are met from capital receipts. Capital receipts are appropriated to the capital receipts reserve and reported in the MiRS.

Compensation from third parties for investment property that becomes impaired, lost or is given up is recognised in the surplus / deficit on the provision of services within the CIES when it becomes receivable.

Minimum Revenue Provision (MRP)

The authority is required to make an annual provision (i.e. MRP) from revenue to contribute towards the reduction in its overall borrowing requirement in relation to assets calculated in accordance with statutory guidance. MRP is a proper charge to the General Fund, but does not appear in the CIES. Such amounts are transferred from the CAA and reported in the MiRS.

Rentals Received in relation to Investment Property

Rentals received in relation to investment properties are credited to financing and investment income and expenditure within the CIES and result in a gain for the General Fund balance.

W. Intangible Assets

The authority accounts for intangible assets in accordance with IAS 38 *Intangible Assets* except where adaptations to fit the public sector are detailed in the Code.

Please note that the authority has a *heritage assets* accounting policy for which covers intangible heritage assets.

Recognition and Measurement

An intangible asset is recognised if it is controlled by the authority as a result of past events and it is probable that the expected future economic benefits or service potential attributable to the asset will flow to the authority.

Expenditure on intangible assets is capitalised where it will bring benefits to the authority for more than one reporting period. An intangible asset is measured initially at cost.

Expenditure incurred on an intangible asset after it has been recognised is charged to the surplus / deficit on the provision of services within the CIES as it is incurred unless it meets the recognition criteria in the Code.

Expenditure on an intangible item, that was initially recognised (i.e. in a prior reporting period) as an expense, is not recognised as part of the cost of an intangible asset at a later date.

Government Grants

Where the authority acquires (either in full or in part) an intangible asset by the way of a government grant, both the asset and the grant or contribution are recognised initially at fair value.

Measurement after Recognition

Intangible assets are typically carried at cost.

Useful Life

The authority assesses whether the useful life of an intangible asset is finite, or indefinite, and, if finite, the length of that life. The useful life of an intangible asset that arises from contractual or other legal rights does not exceed the period of these rights (unless they can be renewed, when the useful life includes the renewal period only if there is evidence to support renewal by the authority).

Amortisation

The authority amortises intangible assets with a finite useful life over their expected useful life, beginning when the intangible asset is available for use using a straight line allocation method. The provision of amortisation is charged to the relevant cost of service in the surplus / deficit on the provision of services within the CIES. The amortisation charge is not a proper charge to the General Fund or HRA and therefore is transferred to the CAA and reported in the MiRS.

Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from the asset. The gain or loss arising from derecognition of an intangible asset is the difference between the net disposal proceeds (if any) and the carrying amount of the asset. The gain or loss is recognised in the surplus / deficit on the provision of services within the CIES when the asset is derecognised. The gain or loss on derecognition of an intangible asset is not a proper charge to the General Fund or HRA. As a result the General Fund or HRA is debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on derecognition of the intangible asset (net of any disposal costs), with a credit to the capital receipts reserve of an amount equal to the disposal proceeds and a debit to the CAA of an amount equal to the carrying amount of the intangible asset. The cost of disposal in relation to the General Fund remains as a charge to the CIES against the General Fund balance; however, HRA disposal costs are met from capital receipts. Capital receipts are appropriated to the capital receipts reserve and reported in the MiRS.

Minimum Revenue Provision (MRP)

The authority is required to make an annual provision (i.e. MRP) from revenue to contribute towards the reduction in its overall borrowing requirement in relation to assets calculated in accordance with statutory guidance. MRP is a proper charge to the General Fund, but does not appear in the CIES. Such amounts are transferred from the CAA and reported in the MiRS.

X. Revenue Expenditure Funded from Capital under Statute

The authority accounts for revenue expenditure funded from capital under statute in accordance with proper practice under the Code; there is no IFRS or IAS that deals with these items as they are a statutory departure from normal accounting practice.

Legislation allows some expenditure (e.g. grants and expenditure on property not owned by the authority) incurred by the authority during the reporting period to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non current asset; this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund or HRA and impact on council tax.

Such expenditure is charged to the relevant cost of service in the surplus / deficit on the provision of services within the CIES. The authority accounts for this statutory provision that allows capital resources to meet the expenditure by debiting the CAA and crediting the General Fund balance or HRA balance with the transfer being reported in the MiRS.

Y. Impairment of Assets

The authority accounts for impairments in accordance with IAS 36 *Impairment of Assets* except where adaptations to fit the public sector are detailed in the Code.

This accounting policy does not apply to impairment of assets in relation to employee benefits, financial instruments, investment property, intangible assets, insurance contracts or inventories.

The authority accounts for impairments to ensure that assets are carried at no more than their recoverable amount; an asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the authority describes the asset as impaired and recognises an impairment loss.

Recognition

At the end of each reporting period, the authority undertakes an assessment as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount is estimated, and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. If no indication of an impairment loss is present, a formal estimate of the recoverable amount is not required.

The authority recognises impairment on assets carried at a revalued amount and historical cost.

An impairment loss on a revalued asset is recognised in the revaluation reserve and reported in the MiRS to the extent that the impairment does not exceed the amount in the revaluation reserve for the same asset (i.e. up to the historical cost of the asset) and thereafter in the surplus / deficit on the provision of services within the CIES. As the element of the impairment loss charged to the surplus / deficit on the provision of services within the CIES is not a proper charge to the General Fund, the amount is transferred to the CAA and reported in the MiRS. Any impairment loss in respect of HRA dwellings and non dwellings are actual charges to the HRA balance and are therefore charged to the HRA Income and Expenditure Statement but not reversed via the MiRS. In respect of HRA dwellings, there are transitional arrangements in place which allow the charge to be reversed out of the MiRS. This transfer is only permitted on a transitional basis as specified by *the Item 8 Credit and Item 8 Debit (General) Determination.*

An impairment loss on a non revalued asset (i.e. an asset with a carrying value based on historical costs) is recognised in the surplus / deficit on the provision of services within the CIES.

Reversing an impairment

The reversal of an impairment loss previously recognised in surplus / deficit on the provision of services within the CIES cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years; therefore any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior reporting periods is treated as a revaluation gain and charged to the revaluation reserve. As the element of the reversal of the impairment loss charged to the surplus / deficit on the provision of services within the CIES is not a proper charge to the General Fund, the amount is transferred to the CAA and reported in the MiRS. Any reversal of the impairment loss in respect of HRA dwellings and non dwellings are actual credits to the HRA balance and are therefore credited to the HRA Income and Expenditure Statement but not reversed via the MiRS. In respect of HRA dwellings, there are transitional arrangements in place which allow the charge to be reversed out of the MiRS. This transfer is only permitted on a transitional basis as specified by *the Item 8 Credit and Item 8 Debit (General) Determination.*

Z. Asset Componentisation

The authority only considers assets for componentisation in the year the assets are valued and/or in the reporting period following capital investment being incurred on the asset. As the authority does not depreciate assets in the year of acquisition, capital additions are not considered for componentisation until the following reporting period.

The policy for componentisation has been applied from 1 April 2010.

The authority has a deminimis threshold of £10m for componentising General Fund assets; individual assets with a gross book value of less than £10m are disregarded for componentisation. The deminimis level is reviewed on an annual basis. The componentisation of the authority’s housing stock is considered separately on an annual basis.

This policy is only applied to building elements of assets categorised as PPE and that are subject to depreciation. Vehicles, plant and equipment assets are excluded from this policy as they do not have separately identifiable components of significant value or a significant difference in asset life. Community assets are unlikely to be componentised as they are held at either cost or nil value. Assets under construction are not considered for componentisation until they become operational.

Although investment properties are non depreciating assets, they are still considered for componentisation purposes using the deminimis threshold. The authority does not currently consider infrastructure assets for componentisation.

In respect of components, the carrying amount of a replaced part of the asset is derecognised, with the carrying amount of the new component being recognised subject to the recognition principles being met. Where it is not practicable to determine the carrying amount of the replaced part, the authority uses the cost of the new part as an indication of what the cost of the replaced part was at the time it was acquired or constructed (adjusted for depreciation and impairment, if required).

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, the authority groups these parts in determining the depreciation charge.

AA. Borrowing Costs in Relation to Assets

The authority accounts for borrowing costs in accordance with IAS 23 *Borrowing Costs* except where adaptations to fit the public sector are detailed in the Code.

The authority recognises all borrowing costs in respect of qualifying assets as an expense in the period in which they are incurred; they are included in Financing and Investment Income and Expenditure within the CIES.

BB. Assets Held for Sale

The authority accounts for assets held for sale in accordance with IFRS 5 *Non Current Assets Held for Sale and Discontinued Operations* except where adaptations to fit the public sector are detailed in the Code.

This accounting policy does not apply to the measurement of assets in relation to employee benefits, financial instruments, investment property or insurance contracts.

Recognition

The authority recognises a non current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continued use. The authority determines that an asset can be recognised as held for sale if all the following criteria exist:

- the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets and its sale is highly probable;
- the appropriate level of management is committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated;
- the asset is being actively marketed for a sale at a price that is reasonable in relation to its current fair value; and,
- the sale is expected to qualify for recognition as a completed sale within one year from the date of classification (except where events or circumstances may extend the period to complete the sale beyond one year) and action required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If all the above criteria are not met, the authority continues to account for the asset in accordance with the accounting policy for the relevant classification of the asset.

If after the reporting period but before authorising of the financial statements, the criteria for recognition are met, the authority discloses the information within the notes to the financial statements.

Assets that are to be abandoned or scrapped are not classified as non current assets held for sale as the carrying amount of such assets will not be recovered from sale but from continued use up to the point of being scrapped or abandoned.

Assets that are surplus to service needs but do not meet the definition of either an investment property or assets held for sale are accounted for by the authority as PPE and are classified under a sub classification of PPE termed “surplus assets”.

Measurement

The authority measures a non current asset classified as held for sale at the lower of its carrying value and fair value less costs to sell at initial reclassification and at the end of each reporting period, subject to recognising any gains.

When the sale is expected to occur beyond one year, the authority measures the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time represents the unwinding of the discounting and is presented in the surplus / deficit on the provision of services within the CIES as a financing cost.

Immediately before the initial classification of an asset as held for sale, the carrying amount of the asset is measured in accordance with the accounting policy for the relevant classification of the asset.

The authority recognises a revaluation gain for any initial or subsequent increase in fair value less costs to sell an asset following reclassification, but not in excess of the cumulative impairment loss or revaluation loss (adjusted for depreciation) that has been recognised in the surplus / deficit on the provision of services within the CIES (i.e. the authority uses a revaluation gain to reverse previous impairment or revaluation losses that have been recognised in the surplus / deficit on the provision of services).

The authority recognises an impairment loss or revaluation loss for any initial or subsequent decrease in fair value less costs to sell following reclassification, in the surplus / deficit on the provision of services within the CIES (even where there is a balance on the asset's revaluation reserve).

Depreciation

The authority does not depreciate (or amortise in relation to intangible assets) non current assets classified as held for sale.

Derecognition

A revaluation gain or loss not previously recognised in the carrying amount of a non current asset by the date of sale is recognised in the surplus / deficit on the provision of services within the CIES as part of the gain or loss on disposal at the date of derecognition.

Please refer to the *PPE* or *intangible asset* accounting policy, whichever is relevant, for the policy on gains and losses on disposal of a non current asset held for sale.

Changes to a Plan of Sale

If the criteria for recognising an asset as a non current asset held for sale are no longer met, the authority ceases to classify the asset as held for sale and values the asset at the lower of its carrying amount before the asset was classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and its recoverable amount at the date of the decision not to sell.

For an asset previously carried at historical cost before classification as held for sale, any adjustment to the carrying amount is recognised in the surplus / deficit on the provision of services within the CIES, in the period that the criteria are no longer met.

For an asset previously carried at a revalued amount before classification as held for sale, any adjustment to the carrying amount is treated as a revaluation increase or decrease and recognised in the revaluation reserve in the period that the criteria are no longer met. A revaluation decrease is recognised up to the balance on the revaluation reserve and thereafter in the surplus / deficit on the provision of services within the CIES.

CC. Capital Receipts

The authority has a deminimis level of £10,000 for capital receipts from the sale of assets. Amounts below this level are credited to the CIES; amounts above this level are credited to the CIES and subsequently transferred to the capital receipts reserve to support the capital investment programme. In circumstances where the authority sells individual assets on a piecemeal basis over a period of time which are individually valued at less than the deminimis level but are all related, the authority treats these individual sales as being over the deminimis level and thereby transfers them to the capital receipts reserve to support the capital investment programme.

Please refer to the accounting policy for the relevant classification of asset for the accounting treatment of the respective gain or loss on the sale of assets.

Please refer to the *PPE* accounting policy for the treatment of the sale of council dwellings.

The authority maximises its resources from the sale of non “right to buy” housing assets to fund the capital investment programme through qualifying for a concession to the set aside rules to the Government's housing capital receipts pool by reinvesting part of the proceeds in social housing.

Capital receipts that do not arise from the disposal of a fixed asset are credited to the CIES and subsequently transferred to the capital receipts reserve and reported in the MiRS.

DD. Financial Assets and Liabilities - Financial Instruments

The authority accounts for financial instruments in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, IAS 32 *Financial Instruments: Presentation* and FRS 7 *Financial Instruments: Disclosures*, except where adaptations to fit the public sector are detailed in the Code.

Initial Recognition

The authority recognises a financial asset or liability on the Balance Sheet when, and only when, it becomes party to the contractual provisions of a financial instrument. In the case of a financial asset or a derivative, this is when the purchaser becomes committed to the purchase (i.e. the contract date) and is usually referred to as the 'trade date'. The sale of a financial asset is also recognised on the trade date. In respect of trade receivables, the receivable is recognised when the ordered goods or services have been delivered or rendered. Similarly a trade payable is recognised when the ordered goods or services have been received. In the case of a financial liability the authority does not become party to the contractual provisions of a financial liability unless one of the parties has performed its obligation.

Initial Measurement

Financial assets and liabilities are measured initially at fair value. A financial asset or liability not at fair value through profit or loss is measured at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include internal administrative costs.

The authority deems the transaction price to be the fair value unless the transaction is not based on market terms; in such cases, the authority uses a valuation technique to determine the appropriate fair value for initial recognition of the instrument.

Classification

The authority classifies its financial instruments on initial recognition in accordance with their inherent characteristics.

The authority classifies its financial assets as loans and receivables or available for sale assets.

The authority classifies its financial liabilities as amortised cost.

Subsequent Recognition

The accounting treatment of a financial liability and a financial asset after initial recognition applied by the authority depends on its classification on initial recognition.

The authority fully accrues for interest on external borrowing 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). 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.

Interest payable and receivable on borrowings is accounted for by the authority 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 HRA for borrowings is based on the item 8 credit and item 8 debit (general) determination for that year.

Financial Liabilities

Financial liabilities are carried at amortised cost.

Interest payable is charged to the CIES under financing and investment income and expenditure 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 on the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year in the loan agreement.

When calculating the effective interest rate, the authority estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The effective interest rate used is based on discounting the estimated cash flows and contractual life.

If the authority revises its estimates of payments or receipts, it adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The authority recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised as income or expenditure in the surplus / deficit on the provision of services within the CIES.

Loans and Receivables

The carrying amount of loans and receivables and the interest income receivable is measured following initial recognition at amortised cost.

Interest receivable is credited to the CIES under financing and investment income and expenditure 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 authority has made, this means that the amount presented on the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When calculating the effective interest rate, the authority estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The effective interest rate used is based on discounting the estimated cash flows and contractual life.

If the authority revises its estimates of payments or receipts, it adjusts the carrying amount of the financial asset to reflect actual and revised estimated cash flows. The authority recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised as income or expense in the surplus / deficit on the provision of services within the CIES.

Available for Sale Financial Assets

After initial recognition the carrying amount of an available for sale financial asset is measured at its fair value, without any deduction for transactions costs that would be incurred on sale or other disposal. The authority uses the following hierarchy in determining a reliable measure of the fair value:

- Active market - instruments with quoted market prices – published price quotations in an active market are considered the best evidence of fair value and if available are used to measure the financial instrument;
- Non active market - other instruments with fixed and determinable payments – if the market for the financial instrument is not active, the authority uses a discounted cash flow analysis valuation technique to establish the fair value.

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

Where the asset has fixed or determinable payments, interest receivable is credited to financing and investment income and expenditure in the CIES 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 CIES when it becomes receivable by the authority.

The gain or loss arising from a change in the fair value of an available for sale financial asset is recognised as financing and investment income and expenditure within the CIES and taken to the available for sale financial instruments reserve except for impairment losses and foreign exchange gains and losses which are recognised in the surplus / deficit on the provision of services under financing and investment income and expenditure within the CIES. The calculation of the gain or loss is based on the “clean” price of the instrument (i.e. its fair value excluding accrued interest and the amortised cost of the instrument also excluding accrued interest).

Debt Redemption

The authority sets aside a statutory amount each year from its General Fund for debt redemption, in the form of a MRP, 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 MRP and the authority determines which option it will adopt.

For debt where the Government provides revenue support, the authority 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 authority sets aside a sum equivalent to repaying debt over the life of the asset in equal annual instalments.

In addition, the authority 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 authority.

Derecognition

Financial Liabilities

The authority derecognises a financial liability when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid including any non cash assets transferred or liabilities assumed (i.e. the gain or loss) is recognised in the surplus / deficit on the provision of services within the CIES.

The authority accounts for an exchange between an existing borrower and lender of debt instruments with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the authority accounts for a substantial modification of the terms of an existing financial liability or a part of it as an extinguishment of the original financial liability and the recognition of a new financial liability.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the CIES in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the writedown to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts incurred on the early repayment of loan debt have been charged or debited to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The authority 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 difference between the amount charged or credited in the reporting period to the CIES and the amount debited or credited to the General Fund balance or HRA balance in accordance with the regulations is debited or credited to the General Fund balance or HRA balance with the double entry going to the financial instruments adjustment account and the adjustment reported in the MiRS.

Financial Asset

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or have been transferred. For loans and receivables, any gains and losses that arise on derecognition of the asset are credited or debited to financing and investment income and expenditure in the CIES.

In relation to available for sale financial assets, any gains and losses that arise on derecognition of the asset are credited or debited to the CIES, along with any cumulated gains or losses previously recognised in the CIES.

Impairment and Uncollectability of Financial Assets

The authority only impairs a financial asset and recognises an impairment loss if there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. Expected losses as a result of future events are not recognised.

At each Balance Sheet date, the authority makes an assessment of whether there is objective evidence that any financial asset may be impaired.

If there is objective evidence that impairment of a financial asset carried at amortised cost has been incurred and the carrying amount exceeds its estimated recoverable amount (i.e. the present value of the expected future cash flows discounted at the instrument's original effective interest rate), the asset is impaired. The amount of the loss is charged to the relevant cost of service (for receivables specific to that service) or financing and investment income and expenditure line in the surplus / deficit on the provision of services within the CIES but should the loss be subsequently reduced (i.e. after the impairment was recognised) the loss will be reversed through the CIES.

If there is objective evidence of impairment of an available for sale financial asset, the cumulative gain or loss (i.e. the difference between the amortised acquisition costs and current value less any impairment loss previously recognised in the surplus / deficit on the provision of services) previously recognised in other comprehensive income and expenditure is transferred from the available for sale financial instruments reserve and recognised in the surplus / deficit on the provision of service within the CIES, even though the asset has not been sold. If the fair value of an investment in an available for sale financial asset increases subsequent to its impairment and the increase can be objectively related to an event occurring after the loss was recognised, the loss is reversed through the surplus / deficit on the provision of service within the CIES.

If there is objective evidence of an impairment of a financial asset that is carried at cost (i.e. because its fair value cannot be reliably measured), the amount of the impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar loss. The loss is charged to the surplus / deficit on the provision of service in the CIES and such impairment losses are not reversed.

Once a financial asset has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

EE. Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The authority accounts for its carbon reduction commitment energy efficiency scheme in accordance with the Code. Under the scheme, the authority has an obligation to purchase and surrender carbon reduction commitment allowances in relation to carbon dioxide emissions at the reporting date. The authority purchases the allowances from the Government. The authority surrenders the allowances to the scheme in proportion to its reported emissions for the preceding scheme year and in accordance with the scheme requirements.

The obligation arises at the point at which the energy is consumed and carbon dioxide emitted. At this point, a liability and expense are recognised by the authority with the liability being discharge by the surrendering of allowances. The measurement of the obligation is based on the requirements under the *provisions* accounting policy (see *provisions* accounting policy). The liability is measured at the best estimate of the expenditure required to settle the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost of the obligation is charged to services in the CIES and is apportioned on the basis of energy consumption.

Allowances purchased by the authority under the 'forecast sale' are held as a long term intangible asset on the Balance Sheet until they are used.

FF. Events after the Reporting Period

The authority accounts for events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*, except where adaptations to fit the public sector are detailed in the Code.

Events after the end of the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

The authority reflects in its financial statements events after the reporting period up to the date the accounts were authorised for issue. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

The financial statements of the authority are authorised for issue in accordance with the Accounts and Audit Regulations 2011. The date the accounts are authorised for issue is:

Unaudited Accounts	The date on which the responsible finance officer certifies that the accounts give a true and fair view of the authority's financial position and financial performance in advance of approval
Audited Accounts (where opinion issued in advance of conclusion of audit)	The date on which the responsible finance officer recertifies that the accounts give a true and fair view of the authority's financial position and financial performance
Audited accounts (where no opinion issued prior to the conclusion of audit)	The date on which the responsible finance officer recertifies that the accounts give a true and fair view of the authority's financial position and financial performance.

Audited accounts (where opinion previously issued prior to the conclusion of audit	The date on which the responsible finance officer recertifies that the accounts give a true and fair view of the authority’s financial position and financial performance.

In accordance with the regulations, the authority prepares a Statement of Accounts by 30 June following the end of the reporting period which is approved by the Chief Finance Officer. Following the audit, the Statement of Accounts are approved by members and signed by the chair of the Audit & Standards Committee by 30 September. The authority also publishes its audited Statement of Accounts by 30 September following the end of the reporting period. In the event that the audit has not been completed by this date, the authority publishes its unaudited Statement of Accounts by 30 September following the end of the reporting period and its audited Statement of Accounts as soon as practicable thereafter.

The authority adjusts the amounts recognised in its financial statements to reflect adjusting events (i.e. those events that provide evidence of conditions that existed at the end of the reporting period) after the reporting period; however, it does not adjust the amounts for non adjusting events (i.e. those events that are indicative of conditions that arose after the reporting period).

Brighton & Hove City Council

Independent Auditor’s Report
2014/15

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

Opinion on the Authority’s financial statements

We have audited the financial statements of Brighton & Hove City Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The Authority financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Brighton & Hove City Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director of Finance and Resources and auditor

As explained more fully in the Statement of the Executive Director Finance & Resources Responsibilities set out on page 17, the Executive Director Finance & Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director Finance & Resources and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not comply with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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 to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for except for conclusion

In considering the Authority's arrangements for securing financial resilience, and for challenging how it secures economy, efficiency and effectiveness we identified the following:

- The Authority forecasts a budget gap of approximately £60 million assuming an annual council tax increase of two per cent, in its Medium Term Financial Strategy over the three years 2015/16 to 2017/18. The budget gap would widen to £92 million by 2019/20 on the same assumptions.
- Unless the budget gap forecast in the Medium Term Financial Strategy is closed the Authority would fully exhaust its usable reserves by the end of 2017/18 assuming no increases in council tax.

In our view, the Authority has not yet made sufficient progress in identifying the savings required to demonstrate its ability to secure a stable financial position over the medium term and therefore has not made proper arrangements for securing financial resilience.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Brighton & Hove City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

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

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
25 September 2015

Brighton & Hove City Council

Glossary of Terms
2014/15

Glossary of Terms

Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting its financial statements.

Accruals Basis

The accruals basis is the recognition of items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria. The accruals basis of accounting requires the non cash effects of transactions to be reflected in the financial statements for the reporting period in which those effects are experienced and not necessarily in the period in which any cash is received or paid.

Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing for employees' paid absences earned but not taken in the reporting period (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund and HRA balance is neutralised by transfers to or from the accumulated absences account.

Actuarial Gains and Losses (Pensions)

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred);
- the effects of changes in actuarial assumptions.

Amortisation

Amortisation is a method of allocating the cost of a intangible asset over its useful life.

Amortised Cost of a Financial Asset or Financial Liability

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method (i.e. a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period) of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset

An asset is a resource controlled by the authority as a result of past events and from which future economic or service potential is expected to flow to the authority.

Assets Held for Sale

An asset held for sale is a non current asset that meets the following criteria:

- the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale is highly probable; the appropriate level of management are committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated;

- the asset is being actively marketed for a sale at a price that is reasonable in relation to its current fair value;
- the sale is expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Audit of Financial Statements

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

Available for Sale Financial Asset

An available for sale financial asset is a non derivative financial asset that is not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

Available for Sale Financial Instruments Reserve

The available for sale financial instruments reserve records the unrealised revaluation gains arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Disposed of and the gains are realised.

The reserve is matched by borrowing and investments on the Balance Sheet and therefore is not a resource available to the authority.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the authority as at the Balance Sheet date.

Benefits Payable during Employment

Benefits payable during employment covers:

- short term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits (e.g. cars) for current employees;
- benefits earned by current employees but not expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service, such as long service leave and long term disability benefits.

Budget

A budget expresses the authority's service delivery plans and capital investment programmes in monetary terms.

Budget Requirement

This is the estimated revenue expenditure on General Fund services that needs to be financed from council tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Capital Adjustment Account (CAA)

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses, revaluation losses and amortisations are charged to the CIES (with reconciling postings from the revaluation reserve to convert fair value amounts to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for costs of acquisition, construction and enhancement. It also contains revaluation gains accumulated on revalued non current assets before 1 April 2007, the date that the revaluation reserve was created to hold such gains. The account is matched by non current assets on the Balance Sheet and therefore is not a resource available to the authority.

Capital Financing Requirement

The capital financing requirement is the capital investment funded from borrowing which has yet to be repaid.

Capital Grants Unapplied Account

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The reserve also holds grants and contributions received towards capital projects for which there are no conditions for repayment attached where expenditure has yet to be incurred. The balance is restricted by grant terms as to the capital investment against which it can be applied and / or the reporting period in which this can take place.

Capital Investment

Capital investment is expenditure on the acquisition of an asset that will be used to provide services beyond the reporting period or expenditure which adds to and not merely maintains the value of an existing non current asset.

Capital Investment Programme

The capital investment programme is a financial summary of the capital projects that the authority intends to carry out over a specified period of time.

Capital Receipt

A capital receipt is the proceeds from the sale of an 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 investment.

Capital Receipts Reserve

The capital receipts reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital investment or to be set aside to finance historical capital investment. The balance on the reserve shows the resources that have yet to be applied for these purposes at the end of the reporting period.

Capital Reserves

Capital reserves represent resources earmarked to fund capital schemes as part of the authority’s capital investment strategy.

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

Under this scheme, the authority has an obligation to purchase and surrender CRC allowances in relation to carbon dioxide emissions.

Carrying Amount

The carrying amount is the amount at which an asset is recognised on the Balance Sheet after deducting any accumulated depreciation (or accumulated amortisation) and accumulated impairment losses.

Cash

Cash comprises cash in hand and demand deposits.

Cash Equivalents

Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are the inflows and outflows of cash and cash equivalents.

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the authority during the reporting period.

Central Services

This includes local tax collection, registration of births, deaths and marriages, elections, emergency planning and local land charges.

Collection Fund

The Collection Fund is a separate fund recording the expenditure and income relating to council tax and non domestic rates.

Collection Fund Adjustment Account

The collection fund adjustment account is used specifically to manage the accounting processes for council tax and non domestic rates. It manages the differences arising from the recognition of council tax and non domestic rates income in the CIES as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The amount held in this account is not a resource available to the authority. As payments out of the Collection Fund are controlled by statutory provisions, the amount that can be credited or debited against the General Fund balance for surpluses/deficits is limited to the January estimate of the share of the Collection Fund balance for the previous reporting period.

Commencement of the Lease Term

The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease).

Community Assets

Community assets are assets that the authority 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.

Comprehensive Income and Expenditure Statement (CIES)

The CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Contingent Asset

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

Contingent Liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the authority, or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises costs relating to member representation and associated governance activities together with the costs of corporate management that provide the infrastructure that allows services to be provided, whether by the authority or not, and the information that is required for public accountability.. 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.

Cost

Cost is the amount of cash or cash equivalents paid. It is also the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

Council Tax

This is the main source of local taxation to local authorities. Council tax is levied on households within its area by the Billing Authority (BHCC) and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Costs to Sell

Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Creditors

Creditors are financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

Current Asset

A current asset is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the authority expects to realise the asset within 12 months after the reporting date.

Current Liability

A current liability is an amount which will become payable or could be called in within the next reporting period; examples are creditors and cash overdrawn.

Current Replacement Cost

Current replacement cost is the cost the authority would incur to acquire the asset on the reporting date.

Current Service Cost (Pensions)

Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Curtailment (Pensions)

Curtailment occurs when the authority significantly reduces the number of employees covered by the plan. A curtailment may arise from an isolated event, such as closing part of the authority, discontinuance of an operation or termination or suspension of a plan.

Customer and Client Receipts

Customer and client receipts include rental income (e.g. housing and other property rents) and income from fees and charges.

Debtors

Debtors are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

Deferred Capital Receipts Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat those gains as usable for financing new capital investment until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

Deferred Liability

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

Deficit (Pensions)

The deficit is the present value of the defined benefit obligation less the fair value of scheme assets.

Defined Benefit Scheme (Pensions)

A defined benefit scheme, such as the Local Government Pension Scheme, is a pension scheme where the benefits to employees are based on their salaries, and where employers' contributions have to be adjusted to match estimates of future liabilities.

Defined Contribution Scheme

A defined contribution scheme is a post employment benefit scheme where the employer's liability is restricted to the amount that they contribute.

Depreciated Replacement Cost (DRC)

Depreciated replacement cost is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation

Depreciation is a method of allocating the cost of a tangible asset over its useful life.

Donated Asset

A donated asset is an asset transferred at nil value or acquired at less than fair value.

Effective Interest Rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the life of the instrument to the amount at which it was originally recognised.

Employee Benefits

Employee benefits are all forms of consideration given by the authority in exchange for service rendered by employees or for the termination of employment.

Employee Expenses

Employee expenses include total salaries, employers' national insurance contributions, employers' pension contributions and indirect employee expenses including redundancy costs and pension accounting adjustments.

Estimation Techniques

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

Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period);
- those that are indicative of conditions that arose after the reporting period (non adjusting events after the reporting period).

Exceptional Items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the financial statements.

Exchange Transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Existing Use Value – Social Housing (EUV-SH)

EUV – SH is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arms length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

- the property will continue to be let by a body and used for social housing;
- at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;
- properties temporarily vacant pending reletting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to relet them, rather than with vacant possession;
- any subsequent sale would be subject to all of the above assumptions.

Exit Packages

Exit Packages are departure costs paid to former employees who negotiate a package as part of their terms of leaving the authority.

Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of non current assets.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Fees, Charges and Other Service Income

Fees, charges and other service income includes:
- Customer and client receipts including, for example rents and other fees and charges;
- Other reimbursement grants and contributions including all grants received from non government bodies and other contributions received by the authority;
- Interest receipts;
- Internal recharge income.

Fee Expense (Financial Instruments)

Fee expense represents the cost of managing the authority's debt and investment portfolios, including internal costs and external brokerage.

Fee Income (Financial Instruments)

Fee income represents the contribution received from external bodies in respect of the management of that bodies' cash portfolio.

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Financial Asset

A financial asset is any asset that is:
- cash;
- an equity instrument of another entity;
- a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial Liability

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial Asset or Financial Liability at Fair Value through Profit or Loss

A financial asset or financial liability at fair value through profit or loss is one that meets the following conditions. It is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:
- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or,

- a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the more complex ones such as derivatives and embedded derivatives. Typical financial instruments are:

Liabilities
- trade payables and other payables;
- borrowings;
- financial guarantees.

Assets
- bank deposits;
- trade receivables;
- loans receivable;
- other receivables and advances;
- investments.

Financial Instruments Adjustment Account

The financial instruments adjustment 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. The account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in line with statutory provisions. The account is used to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the General Fund balance to the financial instruments adjustment account in the MiRS. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on the council tax requirement.

Financial Reporting Standards (FRS)

Financial reporting standards advise the accounting treatment and disclosure requirements of transactions so that the authority’s accounts present a true and fair view of the authority’s financial position.

Financing Activities

Financing activities are activities that result in changes in the size and composition of the principal received from or repaid to external providers of finance.

General Fund

The General Fund is the statutory fund into which all the receipts of the authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the reporting period in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practices.

General Fund Balance

The General Fund Balance summarises the resources that the authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the authority is required to recover) at the end of the reporting period. The General Fund balance shows the resources available to meet future running costs for non HRA housing services; it is not available to be applied to fund HRA services.

Going Concern

Going Concern defines that the functions of the authority will continue in operational existence for the foreseeable future.

Government Grants

Government grants are grants made by the government towards either revenue or capital investment to support the cost of the provision of the authority's services. These grants may be directed towards the cost of particular schemes or used to support the revenue spend of the authority.

Grants and Contributions

Grants and contributions are assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.

Heritage Asset

A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

Historical Cost

Historical cost is the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

Housing Benefits

Housing benefits is the national system of financial assistance to individuals towards certain housing costs. Housing benefits is administered by the authority and subsidised by central government.

Housing Revenue Account (HRA)

The HRA reflects the statutory obligation of the authority to maintain a revenue account for council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the authority's landlord function or (where in deficit) that is required to be recovered from tenants in future reporting periods.

Impairment Loss

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Inception of the Lease

The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. At this date, a lease is classified as either an operating or finance lease, and in the case of a finance lease, the amounts to be recognised at the commencement of the lease term are determined.

Income

Income is the gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of non current assets.

Intangible Asset

An intangible asset is an identifiable non monetary asset without physical substance. It must be controlled by the authority as a result of past events and future economic or service benefits must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.

Interest Cost (Pensions)

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

Interest Income (Pensions)

Interest income is a component of the return on plan assets, and is determined by multiplying the fair value of the plan assets by the discount rate.

International Accounting Standards (IAS)

International Accounting Standards are standards for the preparation and presentation of financial statements created by the International Accounting Standards Committee (IASC). They were first written in 1973, and stopped when the International Accounting Standards Board (IASB) took over their creation in 2001.

International Financial Reporting Standards (IFRS)

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

International Financial Reporting Interpretations Committee (IFRIC)

The IFRS Interpretations Committee (formerly called the IFRIC) is the interpretative body of the International Accounting Standards Board (IASB).

International Public Sector Accounting Standards (IPSAS)

International Accounting Standards (IAS) adapted to meet public sector requirements.

Inventories

Inventories are assets:

- in the form of materials or supplies to be consumed in the production process;
- in the form of materials or supplies to be consumed or distributed in the rendering of services;
- held for sale or distribution in the ordinary course of operations;
- in the process of production for sale or distribution.

Investing Activities

Investing activities are activities relating to the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Investment Property

Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes;
- sale in the ordinary course of operations.

Item 8 Credit and Debit (General) Determination

This refers to the actual charges for capital in the HRA. A general determination of the Item 8 debit and credit is issued annually. It is based on notional debt and interest calculated in accordance with the requirements of the determination.

Lease

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Lease Term

The lease term is the non cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payments, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Liability

A liability is a present obligation of the authority arising from past events, the settlement of which is expected to result in an outflow from the authority of resources embodying economic benefits or service potential.

Lifecycle Payments

Lifecycle payments are 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.

Loans and Receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Long Term Borrowing

Long term borrowing is loans raised to finance capital investment which have to be repaid over a period in excess of 12 months from the end of the reporting period.

Major Repairs Reserve

The authority is required to maintain a major repairs reserve, which holds an element of the capital resources required to be used on HRA assets or for capital financing purposes. The reserve is credited with an amount equivalent to the total depreciation charges for all HRA assets and funds capital investment on these assets.

Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged each year in order to provide for the repayment of loans and other amounts borrowed by the authority.

Movement in Reserves Statement (MiRS)

The MiRS shows the movement in the year on the different reserves held by the authority, analysed into usable reserves and other reserves.

Non Domestic Rates (NDR)

NDR is a 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.

Net Defined Benefit Liability (Pensions)

The net defined benefit liability is the deficit, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

Net Interest on the Net Defined Benefit Liability (Pensions)

The net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time.

Net Realisable Value

The net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Non Current Asset

A non current asset is an asset that does not meet the definition of a current asset and has a long term benefit to the authority.

Non Distributed Costs

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

Non Exchange Transactions

Non exchange transactions are transactions that are not exchange transactions. In a non exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Non Ring Fenced Government Grants

Non ring fenced government grants are revenue grants distributed by central government that do not relate to the performance of a specific service. The authority is free to use all of this funding as it sees fit to support the delivery of local, regional and national priorities in the authority's area.

Operating Lease

An operating lease is a type of lease, e.g. computer equipment, office equipment, furniture etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the authority.

Operating Activities

Operating activities are the activities of the authority that are not investing or financing activities.

Other Comprehensive Income and Expenditure

Other comprehensive income and expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the surplus / deficit on the provision of services as required or permitted by the Code. Examples include changes in revaluation surplus; actuarial gains and losses on defined benefit schemes; and gains and losses on remeasuring available for sale financial assets.

Other Service Expenses

Other service expenses include:

- Premises expenses including all running costs, expenditure on goods, services and contractors directly related to property and land;
- Transport expenses including all costs connected with the provision, hire or use of transport for employees and clients;
- Supplies and services covering all direct supplies and services expenditure incurred;
- Third party payments including, for example, payments to third party providers of local authority services (e.g. payments to government departments, voluntary associations, private contractors and other agencies);
- Transfer payments including, for example, education awards paid to school pupils and students in further education, housing benefits;
- Capital financing costs including interest payments and the costs of unsupported borrowing; and
- Internal recharge expenditure.

Owner Occupied Property

Owner occupied property is property held (by the owner or by the lessee under a finance lease) for use in the delivery of services or production of goods or for administrative purposes.

Past Service Cost (Pensions)

The past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction of, or withdrawal of, or changes to, a defined benefit scheme) or a curtailment (a significant reduction by the authority in the number of employees covered by a scheme).

Pension 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 authority's recognised liability under IAS 19 *"Employee Benefits"*, for the same period. The reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet.

Pooled Budgets

Pooled budgets 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 other parties contribute towards the total costs on an agreed basis.

Post Employment Benefits

Post Employment Benefits are employee benefits (other than termination benefits and short term employee benefits) that are payable after the completion of employment. They cover not only pensions but also other benefits payable post employment such as life insurance and medical care.

Post Employment Benefit Plans (Schemes)

Post employment benefit plans are formal (or informal) arrangements under which the authority provides post employment benefits for one or more employees.

Precept

A precept is a 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 & Crime Commissioner and the East Sussex Fire Authority.

Present Value of a Defined Benefit Obligation (Pension)

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Prior Period Errors

Prior period errors are omissions from, and misstatements in, the authority’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Private Finance Initiative (PFI)

A PFI is 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.

Private Finance Initiative (PFI) Arrangements

PFI arrangements involve the operator undertaking an obligation to provide infrastructure (and related services) that is used to provide services to the public (irrespective of who provides those services to the public). By extension, this includes providing infrastructure (and related services) for the direct use of a public sector entity where these services contribute to the provision of services to the public (e.g. office and administrative buildings). Other features of PFI arrangements are:

- the entity granting the service arrangement (the grantor) is a public sector entity;
- the operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent of the grantor;
- the contract sets initial prices levied by the operator and regulates price revisions over the period of the service arrangement;
- the operator is obliged to hand over the infrastructure to the grantor in a specified condition at the end of the period of the arrangement, for little or no incremental consideration, irrespective of which party initially financed it.

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

Property, Plant and Equipment (PPE)

PPE are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and which are expected to be used during more than one period.

Provision

A provision is a liability of uncertain timing or amount.

Public Works Loan Board (PWLB)

The PWLB is 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.

Qualified Valuer

A qualified valuer is a person conducting the valuations who holds a recognised and relevant professional qualification and having sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

Recoverable Amount (in respect of assets)

The recoverable amount is the higher of fair value less costs to sell (i.e. not selling price) and its value in use.

Related Party

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. Related parties include:

- an entity that has an interest in the authority that gives it significant influence over the authority; and
- key management personnel, and close members of the family of key management personnel.

Related Party Transaction

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

Reporting Period

The reporting period is the length of time covered by the financial statements.

Reserves

Reserves are the residual interest in the assets of the authority after deducting all its liabilities.

Residual Value

The residual value is the estimated amount that the authority would currently obtain from the disposal of an asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Restructure Redundancy Reserve

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

Revaluation Reserve

The revaluation reserve contains the unrealised revaluation gains arising from increases in the value of its revalued non current assets (excluding investment property which is posted to the CAA). The balance on the reserve is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA. The reserve is matched by non current assets on the Balance Sheet and therefore is not a resource available to the authority.

Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in the authority's net assets.

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute is revenue expenditure incurred that may be funded from capital resources under statutory provisions but does not result in the creation of non current assets. Items generally include grants, advances and financial assistance to others, cost of stock issues, expenditure on property not owned by the authority and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003 by the Secretary of State.

Revenue Support Grant

Revenue support grant is a non ring fenced government grant which can be used by the authority to finance revenue expenditure on any service**.**

Return on Scheme Assets (Pensions)

The return on scheme assets is dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets less any costs of managing plan assets and any tax payable by the plan itself, other then tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

Ring Fenced Government Grants

Ring fenced government grants are revenue grants distributed by central government that relate to a specific service.

Scheme Amendment (Pensions)

A scheme amendment occurs when the authority introduces, or withdraws a defined benefit scheme or changes the benefits payable under an existing defined benefit scheme.

Scheme Assets (Pensions)

Scheme assets comprise assets held by a long term employee benefit scheme.

Scheme Liabilities (Pensions)

Scheme liabilities comprise liabilities in relation to a long term employee benefit scheme.

Settlements (Pensions)

Settlements is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short Term Borrowing

Short term borrowing is a sum of money borrowed for a period of less than one year.

Short Term Paid Absences

Short term paid absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Paid absences may be accumulating or non accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. For example, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences may be either vesting or non vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement; where non vesting, benefits lapse if an employee leaves before the vesting date.

Short Term Employee Benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service. Short term employee benefits include:

- wages, salaries and social security contributions;
- short term paid absences;
- bonuses and similar payments;
- non monetary benefits.

Surplus / Deficit on the Provision of Services

The surplus / deficit on the provision of services is the total of income less expenses, excluding the components of other comprehensive income and expenditure.

Tangible Asset

A tangible asset is an asset that has a physical form.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either the authority’s decision to terminate an employee’s employment before the normal retirement date, or the authority’s decision to accept an offer of benefits in exchange for the termination of employment. Termination benefits do not include employee benefits resulting from termination of employment at the request of the employee without the authority’s offer, or as a result of mandatory retirement requirements, because those benefits are post employment benefits. They are often lump sum payments, but also include enhancement of post employment benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the authority.

Total Comprehensive Income and Expenditure

Total comprehensive Income and Expenditure comprises all components of surplus / deficit on the provision of services and of other comprehensive income and expenditure.

Trust Funds

Trust funds are funds administered by the authority for such purposes as prizes, charities and specific projects.

Unitary Charge

The unitary charge is the amount payable to the PFI contractor, by the authority, for the provision of works and services as defined in each PFI contract.

Unsupported Borrowing

Unsupported borrowing is borrowing for which no financial support is provided by central government. The borrowing costs are to be met from the authority’s revenue budgets.

Unusable Reserves

Unusable reserves are those reserves that the authority is not able to use to provide services and includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the MiRS as adjustments between accounting basis and funding basis under regulations.

Usable Capital Receipts Reserve

The usable capital receipts reserve holds the proceeds of non current 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 investment.

Usable Reserves

Usable reserves are those reserves that can be used to provide services and/or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Useful Life

The useful life is the period which a non current asset is expected to be available for use by the authority.

Value Added Tax (VAT)

VAT is an indirect tax levied on most business transactions and on many goods and some services. Input tax is VAT charged on purchases. Output tax is VAT charged on sales.

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