



# Statement of Accounts 2012/13



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# Introduction to the Accounts

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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. 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, diversity, independent shops, historic lanes, vast array of pubs, restaurants and clubs, festivals and events, stunning architecture and 11 kilometres of coastline.

The authority has four key priorities which are set out in its Corporate Plan supported by its Medium Term Financial Strategy; both documents can be found on the authority’s website. The Corporate Plan sets out the authority’s strategic direction and priorities for the period 2011 to 2015 and was updated in March 2013. It describes how the authority will help to deliver the vision of the city’s Sustainable Community Strategy, by improving services and through closer working with residents, businesses and community and voluntary organisations. The priorities within the plan are:

- Tackling inequality;
- Creating a more sustainable city;
- Engaging people who live and work in the city;
- Modernising the council.

## Authority Funding

In 2012/13, the authority has had to accommodate considerable on-going service demands and cost pressures amounting to over £10m together with reductions in central government grant funding. In 2012/13, funding from the government through formula grant reduced by 9.4%, equating to a reduction of £10.5m. The combination of increasing costs and reduction in resources, together with other changes, required the authority to identify and deliver a substantial package of savings of over £16m whilst minimising the impact on council taxpayers and front-line services. For the second successive year, the authority set a zero council tax increase.

Against this backdrop of reducing overall resources, the authority continues to focus on accommodating service improvements in support of the authority’s priorities, continuing to implement its value for money and efficiency savings programmes and working even more closely with other public services and the community and voluntary sector to maximise investment in services.

## Value for Money and Partnership Working

During 2012/13, the authority has also continued its commitment to make better use of public money by continuing to deliver its Value for Money (VfM) programme which aims to achieve savings through efficiency savings, income generation, service improvements and transformation.

The VfM approach has successfully promoted and embedded a value for money culture across all services and has delivered very substantial financial gains as well as non-financial benefits. The programme has developed to include significant transformation programmes affecting almost every area of the authority and ranging from service transformation in social care services to efficiencies across ICT to reductions in management and administration costs. The programme remains a core part of the authority’s budget strategy.

The authority has a good track record of achieving VfM savings and in 2012/13 the VfM programme was expected to achieve substantial savings of £6.9m; the actual level achieved was £10.08m.

During 2012/13, the authority continued to work with partners from public, private and third sector organisations across the city. These partnerships are key to collating resources for the benefit of the city. Partnership working with the community and voluntary sector remains central to the authority’s approach to commissioning of services. The authority will continue to work with the sector to improve efficiency and reduce duplication where possible and to focus work on priority outcomes. The close working with other authorities, including through the South East 7 (SE7) partnership, will continue and will look to maximise opportunities for sharing or reducing costs and jointly develop innovative solutions or resolve common problems.

## Financial Performance

In 2012/13, the authority has achieved an underspend of £4.610m on its General Fund budget, which is £0.097m better than expected when the 2013/14 budget was approved in February 2013. This additional underspend has been transferred to general reserves.

The Housing Revenue Account (HRA) has underspent by £1.963m in 2012/13; this underspend has been transferred to the HRA reserves.

There is also an underspend of £1.089m on the Dedicated Schools Grant. As required by the School Finance regulations, this will be carried forward to support schools' funding in 2013/14.

The authority continues to deliver services within budget and maintain appropriate levels of reserves and balances to manage financial and other risks both in-year and for future years and approached the 2012/13 financial year from a strong financial base with a continuing track record in effective financial planning and management.

## Looking Ahead

There are major changes to the functions and funding of local authorities over the coming years, which alongside reduced central government support, will result in substantial changes to the authority's budget and revenue resources going forward. The major changes to the way local authorities are funded, impacting in 2013/14 include:

- A change from formula grant funding to a Business Rate Retention model supported by a new Revenue Support Grant which will reflect reducing central government spending and the retention of 49% of local business rates. The change to a business rate retention model will give the authority significant new risks to manage as the income from business rates is quite volatile, including rating appeals, and provides some different financial incentives to take into account when the authority is making decisions on business developments within the city;
- The end of Council Tax Benefits and the implementation of a local Council Tax Reduction Scheme from 1 April 2013 with an associated 10% reduction in central government funding for the scheme. There are important links to wider welfare reforms at a national level and consideration will need to be given by the authority to Financial Advice and Inclusion, Customer Access and Digital Inclusion. It also has a significant bearing on the authority's Corporate Plan objective of tackling inequality;
- Major resource changes from top-slicing national resources for the New Homes Bonus (a funding incentive for local authorities largely to facilitate the creation of new homes), Early Intervention Grant and Education Services Grant (ESG).
- The impact of changes in functions of local authorities including:
  - From 1 April 2013, the authority will take on new public health responsibilities with the aim to improve the health of its population;
  - The introduction of Police and Crime Commissioners who will take responsibility for commissioning some aspects of community safety.
  - From 1 April 2013, the authority will take on the responsibility for a Local Discretionary Social Fund (Local Welfare Provision).

The Government is also introducing a national formula for distributing schools funding between schools rather than the current locally agreed funding formula. This is likely to have an impact on the amount of funding available for each school in the future.

The authority's 2013/14 revenue budget was approved in February 2013 and includes an increase of 1.96% in the authority's element of the council tax and reflects savings of over £17m as a result of government reductions in funding to the authority, and increased demand for some services. In developing its budget strategy for 2013/14, the authority has applied a number of budget principles which are designed to support the authority's Corporate Plan priorities as far as possible within resource constraints, these include:

- To prioritise services and resources, through service pressure funding and investment in prevention, for the young, elderly and vulnerable to continue to tackle inequality;

- To provide resources to enable a fair and means tested council tax reduction scheme that has taken full account of equalities considerations alongside resources to support financial inclusion and a number of discretionary funds;
- To promote efficient use of public money and sustainable use of resources through support for key programmes; for example, VfM projects;
- To continue to support partnership working with public, private and third sector organisations to ensure effective engagement of people and partnerships across the city.

The Government has announced that funding for local government will continue to be reduced at the same rate in the next Spending review as in the current one. The authority has estimated, based on the forecasts outlined, that it will need new savings in the region of £120m over the next six years which represents a reduction in its gross revenue budget of 30%.

The authority has developed a detailed Medium Term Financial Strategy which sets out the authority's direction of travel over several years and the resource projections for the forthcoming period 2013/14 to 2018/19, the financial challenges and opportunities that the authority faces and the approach planned to meet the priorities set out in the Corporate Plan.

# Explanatory Foreword

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The financial statements are presented on an International Financial Reporting Standards (IFRS) basis and have been prepared by the authority in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2012 to 31 March 2013 (“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 Segments* as interpreted by the Code. The Code specifies the format of the 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 for the period;
- Comprehensive Income and Expenditure Statement for the period;
- Balance Sheet as at the end of the period;
- Cash Flow Statement for the 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 Statement of Accounts.

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 financial statements are set out on pages 25 to 123 and are presented as follows:

### Core Single Entity Financial Statements:

#### **Movements in Reserves Statement**

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the authority, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) 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 Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves are undertaken by the authority.

#### **Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement 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. 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 Movement in Reserves Statement.

The cost of services in this statement is analysed in accordance with the Service Reporting Code of Practice (SeRCOP) for consistency and comparability of local authorities.



## 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. The first category of reserves is usable reserves (i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services (i.e. unusable reserves). This category of reserves 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 Movement in Reserves Statement as Adjustments between Accounting Basis and Funding Basis under Regulations.

## 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.

## Notes to the Financial Statements

The notes to the financial statements comprise explanatory information.

Supplementary Single Entity Financial Statements:

### Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) reflects the authority's statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. The HRA financial statements are presented in three sections:

- Housing Revenue Account Income and Expenditure Statement which shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants;
- Movement on the Housing Revenue Account Statement which reconciles the increase or decrease on the HRA in the year (which includes the statutory amounts required to be charged to the HRA for dwelling rent setting purposes) to the HRA Income and Expenditure Statement (which shows the true economic cost of providing the HRA service);
- Notes to the Housing Revenue Account financial statements which detail explanatory information.

### Collection Fund

The Collection Fund shows the transactions of the authority, as a billing authority, in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non domestic rates. The Collection Fund financial statements are presented in two sections:

- The Collection Fund Statement which is an agent's statement that reflects the authority's statutory obligation, as a billing authority, to maintain a separate Collection Fund in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992). The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non domestic rates;
- Notes to the Collection Fund Statement which detail 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 (i.e. the authority recognises assets, liabilities, income and expenditure when they satisfy the definitions and recognition criteria of the Code). The financial statements are also prepared on a going concern basis (i.e. on the assumption that the functions of the authority will continue in operational existence for the foreseeable future).

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 accounts 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 accounts 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, de-emphasised or otherwise manipulated to be received favourably or unfavourably by the user of the accounts);
- **Comparability** – the authority has prepared its financial statements in accordance with the requirements of the Code and SeRCOP; this allows the reader of its accounts to compare the financial position and financial performance of the authority between financial years and also with other local authorities;
- **Verifiability** – to help assure users of the accounts that the financial information contained therein faithfully represents the financial position, performance and cash flows of the authority, it 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 and timeliness. The Code specifies the requirements regarding reporting periods covering the current reporting period and the comparative financial information; however, in some cases, older information is retained within the accounts because the authority considers that its inclusion may be useful to some users in terms of meeting their needs to make economic decisions, the needs of public accountability and stewardship of public funds;
- **Understandability** – the authority aims to ensure that the financial information included within the 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 accounts for the reader. The authority will also be providing a summary version of the financial statements which will include the key facts and information; this will be included on the authority's website.

## 2012/13 Budget

In 2012/13, the authority continued to be at the grant floor for the final year of the government's current grant distribution system and received funding protection of £11m. For 2012/13, the floor support was related to how dependent an authority was on the government grants with the more reliant authorities receiving greater floor support. The authority had a slightly lower than average reliance on government grants and therefore was placed in a lower support band with a reduction of 9.4% in its formula grant funding compared to a national average reduction of 7.6% for unitary authorities.

On 23 February 2012, the authority approved the revenue and capital budgets for 2012/13 and set a zero council tax increase for the second successive year, resulting in the authority's element of the Band D council tax remaining at £1,262.20. The budget had to accommodate considerable on-going demand and other cost pressures, particularly in relation to demand for children's and adult social care services, energy costs and loss of income. The combination of increasing costs and reduction in resources required the authority to identify

substantial savings of over £16m to set a balanced budget whilst minimising the impact on council taxpayers and front-line services. The principles used in developing savings proposals were:

- To prioritise services for the young, elderly and vulnerable;
- To promote efficient use of public money;
- To support partnership working with public, private and third sector organisations.

## General Fund

The 2012/13 General Fund net revenue budget was set at £222.954m which was funded through formula grant of £104.372m and council tax income of £119.433m. The following table shows how the authority's budget has changed from 2011/12 to 2012/13:

How the Authority's Budget has Changed		
	Budget 2012/13	
	£'000	£'000
Budget requirement 2011/12	232,221	234,697
Changes in function and funding	2,476	
<b>Adjusted Base Budget</b>		
Inflation	2,988	(11,743)
Commitments	(6,205)	
Service pressures	7,643	
Efficiency and other savings	(16,169)	
<b>Budget Requirement 2012/13</b>		<b>222,954</b>
<b>Financed By:</b>		
Formula grant		104,372
Council tax		119,433
Collection Fund Surplus / (Deficit)		(851)
<b>Total</b>		<b>222,954</b>

## Housing Revenue Account (HRA)

The 2012/13 Housing Revenue Account gross budget was set at £53.406m which was funded through rental income from council dwellings (£46.701m), other rental streams (£2.088m) and service charges (£4.617m).

## Capital

The authority prepares a capital programme over a three-year period setting out the authority's investment plans to support service delivery in key priority areas. In 2012/13, the authority planned to spend £98.166m on its capital programme; the majority of this budgeted expenditure was for new capital schemes starting in 2012/13 but also included budgeted expenditure for the completion of existing capital schemes.

The funding to support the capital programme came from a number of sources. This included capital receipts from the sale of surplus assets, borrowing, grants from central government and other external contributions, as well as some funding from the revenue budget.

The following table shows the capital investment programme for the three year period from 2012/13 to 2014/15:

Capital Investment Programme 2012/13 to 2014/15			
	2012/13	2013/14	2014/15
	£'000	£'000	£'000
Children's Services	26,138	7,228	6,647
Adult Social Care	1,298	600	600
City Regulation & Infrastructure	15,931	8,645	7,722
Housing	40,081	29,388	22,448
Communities	3,404	390	190
Resources & Finance	11,314	3,967	3,783
<b>Total</b>	<b>98,166</b>	<b>50,218</b>	<b>41,390</b>
<b>Financed By:</b>			
Government Grants	(32,041)	(15,918)	(15,786)
Capital Receipts	(14,674)	(3,351)	(4,645)
Capital Reserves	(11,412)	(1,227)	(243)
External Contributions	(1,626)	(1,240)	0
Direct Revenue Funding	(19,459)	(20,318)	(19,026)
Council Borrowing	(18,954)	(8,164)	(1,690)
<b>Total</b>	<b>(98,166)</b>	<b>(50,218)</b>	<b>(41,390)</b>

The 2012/13 capital investment programme included the following significant planned schemes:

- £25.367m within education which included modernising facilities in schools, providing or removing pupil places in accordance with demand and improving access to buildings and the curriculum as well as providing improvements for the authority run schools and children's social services buildings across the city;
- £11.837m for road maintenance, transport schemes, parking and street lightning in the city including £4.251m investment for improvements in the city's car parks;
- £40.081m for housing which included expenditure on the authority's own housing stock, providing housing in partnership with housing associations and providing grants for improvements to private sector housing;
- funding for improvements to authority owned property such as libraries, community and leisure centres, farmland, social care facilities and civic buildings.

## Financial Performance

In 2012/13, the authority reported its financial performance across five strategic themes – People, Place, Communities, Finance and Resources and NHS Trust Managed Section 75 (S75) Services. These service areas are classed as “operating segments” of the authority. The financial performance in respect of the Housing Revenue Account is reported as a separate operating segment.

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 note 35 together with detailed information on the financial performance of the authority by operating segment.

### 2012/13 Financial Position - General Fund

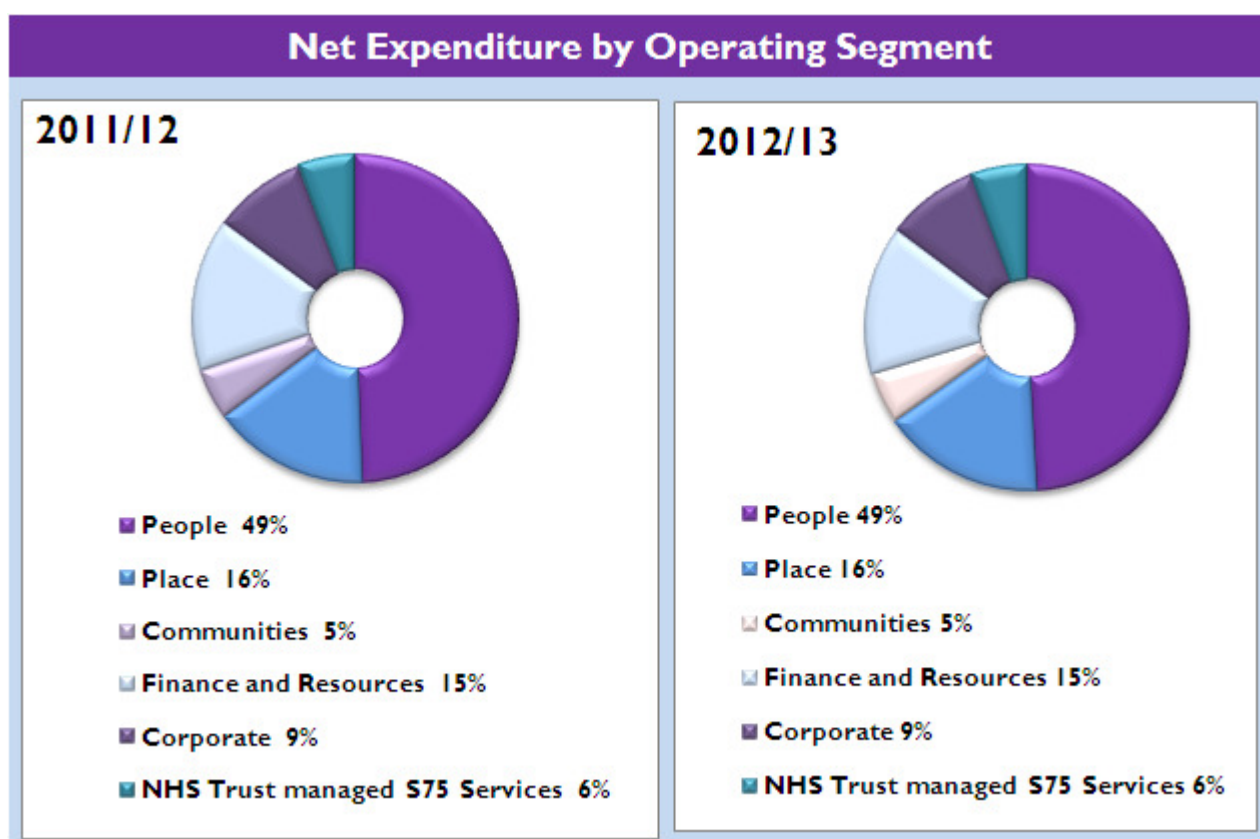
The authority set a budget of £209.243m in respect of General Fund operating segments for 2012/13. The actual spend on the General Fund operating segments was £204.633m, an underspend variation of £4.610m. This underspend represents a 2.2% positive variation on the total budget.

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
People	121,431	115,551	(5,880)
Place	36,327	38,036	1,709
Communities	11,752	12,071	319
Finance & Resources	35,544	34,990	(554)
Corporate	(9,406)	(9,135)	271
NHS Trust managed Section 75 Services	13,595	13,120	(475)
<b>Total</b>	<b>209,243</b>	<b>204,633</b>	<b>(4,610)</b>

Note: Figures in brackets denote underspendings or income received in excess of that budgeted.

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



Note: The percentage spend across operating segments is unchanged between 2011/12 and 2012/13.

The overall underspend on General Fund services of £4.610m included the following significant variations:

- An underspend of £3.569m in respect of agency placements (residential, foster care and disability) resulting from lower numbers of children placed during the reporting period than was anticipated;
- An underspend of £1.302m on Learning Disabilities services which is as a result of an underspend of £1.647m on community care due to an ongoing reduction in the planned cost of transition cases, the successful re-negotiation of contracts and the improved identification of appropriate funding streams. The community care underspend was offset by an overspend within provider services of £0.345m which is mainly from the shortfall in delivery of budget strategy savings on Learning Disabilities Accommodation (£0.311m) as a result of a deferment of decision being made by members and a delay in developing proposals on day activities;
- An underspend of £1.026m on the contingency and risk provision budget;
- An underspend of £0.525m on home to school transport which reflects the continued reduction in the numbers of children being transported as well as the favourable terms of the re-negotiated contracts;
- An increase in the impairment provision of £0.720m in relation to corporate debt;

- An overspend of £0.404m on parking operations as a result of a £0.922m shortfall in the level of on street pay and display income received partially offset by additional income in respect of off street parking and permits.

Further details on the underspend on General Fund services are reported to the Policy & Resources Committee and can be found on the authority's website.

## 2012/13 Financial Position - Housing Revenue Account (HRA)

The authority set an original gross budget of £53.406m in respect of the HRA operating segment for 2012/13 which was revised to £52.994m during the reporting period. The underspend against this revised budget was £1.963m which represents a 4% 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 £'000	Actual £'000	Variance £'000
Expenditure	52,594	51,073	(1,521)
Income	(52,994)	(53,436)	(442)
<b>Total</b>	<b>(400)</b>	<b>(2,363)</b>	<b>(1,963)</b>
Contribution from the HRA to fund capital expenditure			2,270
Transfers to Earmarked Reserves			752
Earmarked Surplus from the 2012/13 Budget			(400)
<b>Decrease in year on the HRA</b>			<b>659</b>

The underspend on HRA services of £1.963m included the following significant variations:

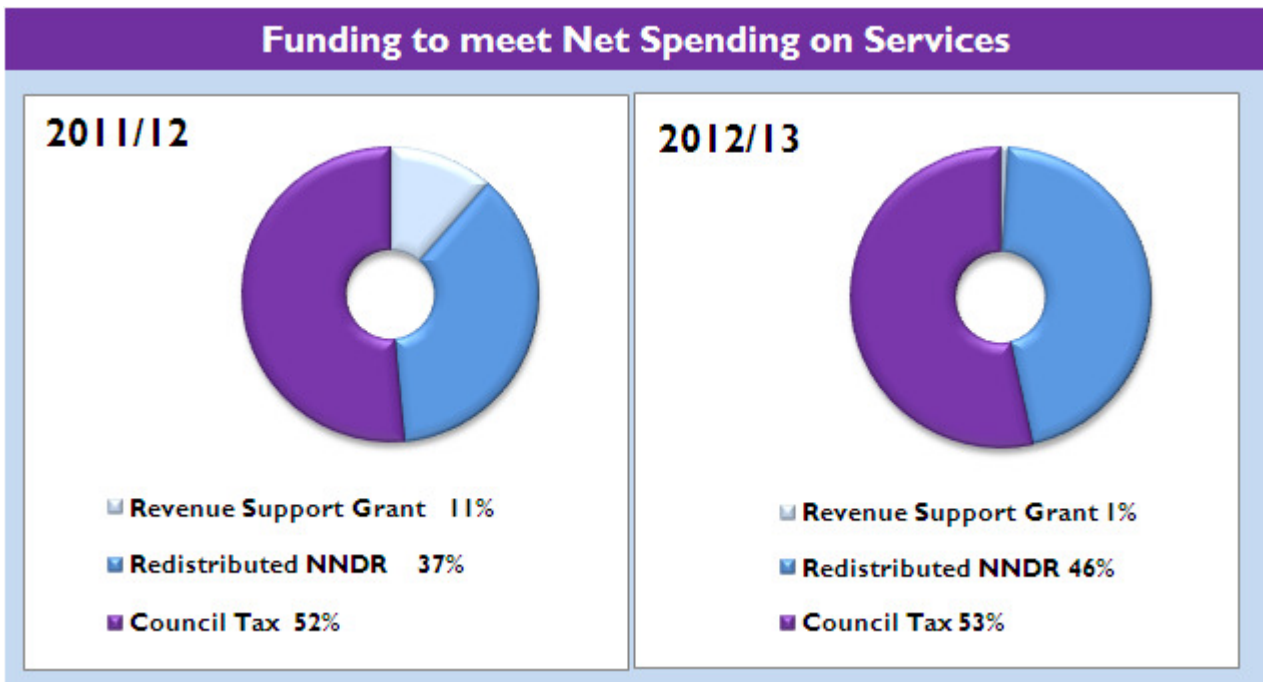
- An underspend of £0.408m on responsive repairs due to the continuation of the policy to review responsive repairs within the context of the replacement programme;
- An underspend of £0.187m on the costs of gas servicing as a result of re-basing the contract after the budget was set;
- An underspend of £0.245m on work to empty properties as a result of fewer properties than budgeted becoming empty;
- An underspend of £0.187m on utility costs as actual consumption was lower than expected, as budgets had to be set using a large proportion of estimated reads;
- An underspend of £0.179m on professional fees;
- An underspend of £0.188m due to service charge income exceeding the budgeted level as a result of more repairs works being carried out to leaseholders' properties during the reporting period, thereby increasing the repairs service charge for leaseholders;
- An underspend of £0.127m due to dwellings rents income exceeding the budgeted level as a result of a reduction in the number of long term empty properties;
- An underspend of £0.124m in respect of commercial rents income exceeding the budgeted level;
- An overspend of £0.400m in respect of a revenue contribution to capital outlay to fund further investment in adaptations for council tenants.

Further details on the underspend on HRA services are reported to the Policy & Resources Committee and can be found on the authority's website.

The HRA financial statements can be found on pages 110 to 121.

## Revenue Summary 2012/13

The authority's net revenue budget after income, for 2012/13 was set at £224.127m (including £0.036m Rottingdean Parish Council precept). The following chart shows the sources of funding which were used to meet the net spending on services in percentage terms:

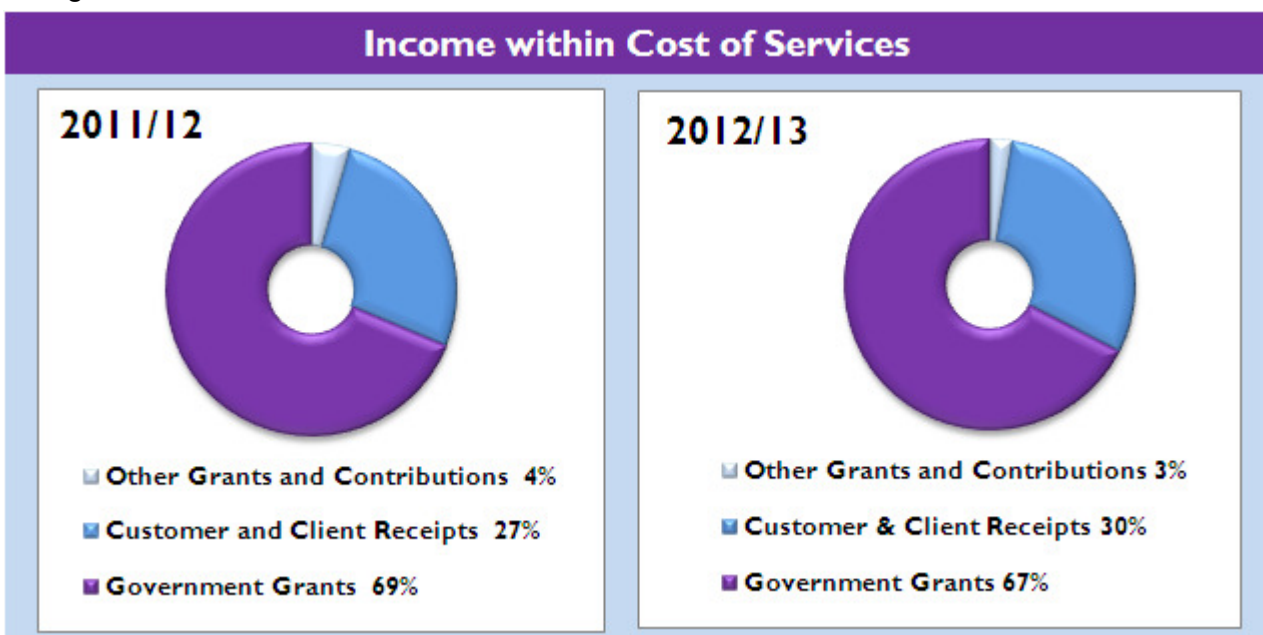


The authority received formula grant of £104.372m in 2012/13, made up of Revenue Support Grant of £1.985m and redistributed non domestic rates of £102.387m. Please refer to note 14 for details of the Revenue Support Grant.

The expected income received from council tax was £118.582m, the difference of £1.137m between the expected income and the amount included in the Comprehensive Income and Expenditure Statement of £119.755m (including £0.036m re Rottingdean Parish precept) relates to adjustments made in respect of the authority's preceptors. The authority has performed strongly in collecting council tax income receiving £116.724m in council tax income in 2012/13. The 2% reduction in council tax received compared to that budgeted was mainly attributable to higher than anticipated entitlement to exemptions and discounts in 2012/13.

### Analysis of Income

The gross revenue income in 2012/13 for services was £523.956m, as included in cost of services in the Comprehensive Income and Expenditure Statement. The following chart shows the sources of the income in percentage terms:

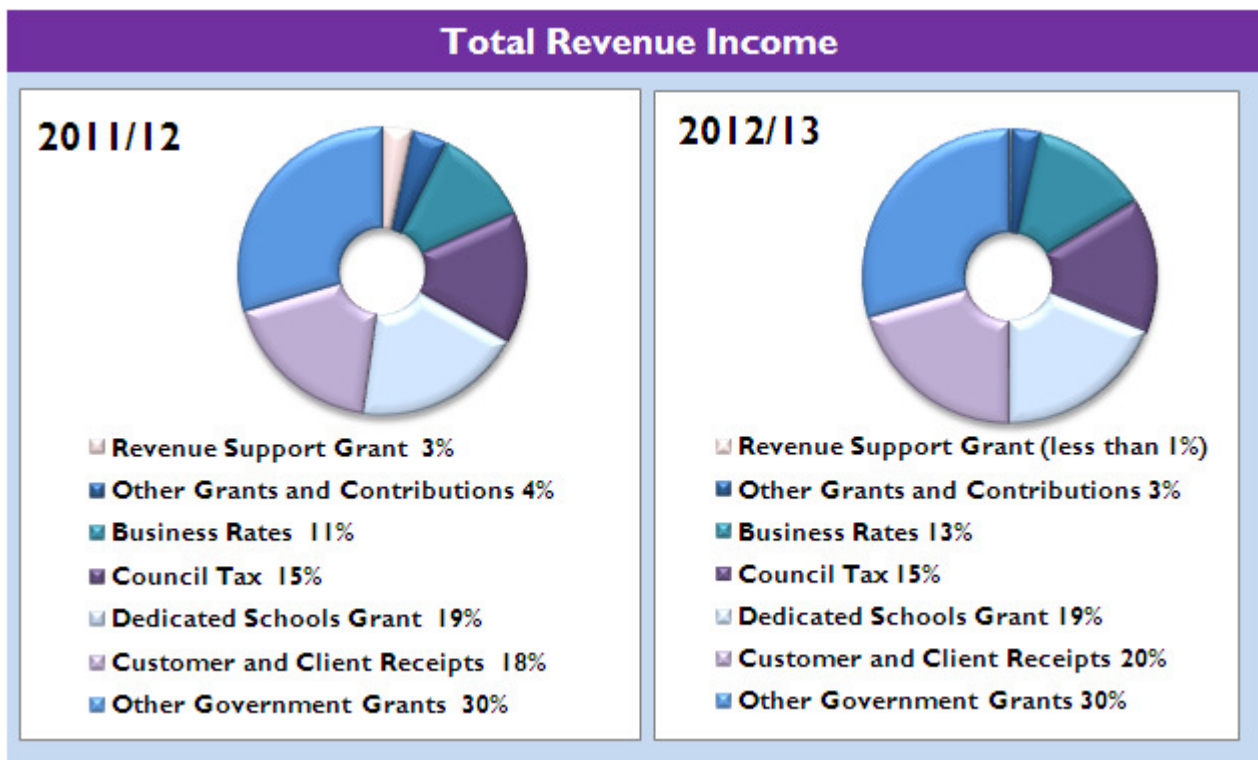


Customer and client receipts include rental income (e.g. housing and other property rents) and income from fees and charges.

Further detail on the government grants and other grants and contributions received by the authority in 2012/13 can be found in Note 14.

In addition to the income generated by services and service specific grants, the authority received £1.985m revenue support grant, £102.387m in re-distributed non domestic rates and £116.724m in council tax income. These figures represent the actual income received by the authority.

The following chart shows the total actual revenue income received by the authority in percentage terms:



The level of actual revenue income received in year has increased by £14.603m from £781.724m in 2011/12 to £789.621m in 2012/13; this was mainly due to the following variations:

- The dedicated schools grant increased by £0.653m from £148.355m in 2011/12 to £149.008m;
- The formula grant reduced by £8.042m from £112.414m in 2011/12 to £104.372m;
- Other government grants increased by £1.807m from £230.807m in 2011/12 to £232.614m;
- The authority received £12.502m more in income from other grants, reimbursements, contributions and customer and client receipts increasing from £174.401m in 2011/12 to £186.903m.

### Analysis of Expenditure

The gross revenue expenditure in 2012/13 for services was £790.570m as included within cost of services in the Comprehensive Income and Expenditure Statement. The following chart shows the gross revenue expenditure incurred by the authority analysed across the Service Reporting Code of Practice (SeRCOP) headings:



## Gross Expenditure within Cost of Services

2011/12



■ Central Services	£39.740m
■ Cultural & Related Services	£45.867m
■ Environmental & Regulatory Services	£34.460m
■ Planning Services	£12.610m
■ Children's & Education Services	£252.751m
■ Highways & Transport Services	£37.520m
■ Housing Services - HRA	£51.644m
■ Other Housing Services	£198.986m
■ Adult Social Care	£112.598m
■ Corporate & Democratic Core	£5.937m
■ Non Distributed Costs	£1.622m

2012/13

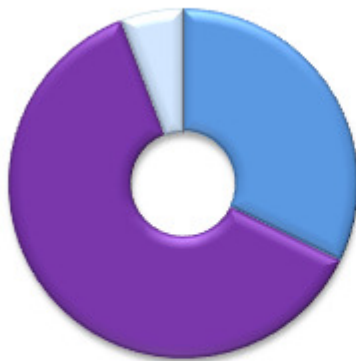


■ Central Services	£46.723m
■ Cultural & Related Services	£39.908m
■ Environmental & Regulatory Services	£47.417m
■ Planning Services	£11.283m
■ Children's & Education Services	£249.229m
■ Highways & Transport Services	£37.406m
■ Housing Services - HRA	£37.003m
■ Other Housing Services	£205.168m
■ Adult Social Care	£110.431m
■ Corporate & Democratic Core	£5.154m
■ Non Distributed Costs	£0.848m

The following chart shows the total gross expenditure incurred by the authority analysed by main expenditure headings:

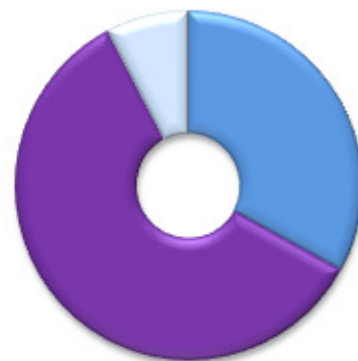
## Total Gross Expenditure

2011/12



■ Employee Costs	£269.740m
■ Other Service Costs	£517.758m
■ Capital Financing Costs	£48.737m

2012/13



■ Employee Costs	£273.273m
■ Other Service Costs	£490.893m
■ Capital Financing Costs	£63.844m

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

- Employees includes total salaries, employers' national insurance contributions, employers' pension contributions and indirect employee expenses including redundancy costs and pension accounting adjustments;
- Other Service Costs include:
  - Premises costs including all running costs, expenditure on goods, services and contractors directly related to property and land;
  - Transport costs including costs connected with the provision, hire or use of transport for employees and clients;
  - Supplies and Services costs covering all direct supplies and services expenditure;
  - Third party payments including payments to third party providers of local authority services (e.g. payments to government departments, voluntary organisations, private contractors and other agencies);
  - Transfer payments including education awards paid to school pupils and students in further education and housing and council tax benefits;
  - Support service costs including the recharge of management and administration costs and support services costs (e.g. financial services, human resources, legal services, property services) to front line services and internal recharges between services;
- Capital Financing Costs include depreciation of non current assets, interest charges, downward revaluation of non current assets, revenue expenditure funded from capital under statute and provision for repayment of debt.

The gross expenditure for services in 2012/13 has decreased by £3.165m from £793.735m in 2011/12 to £790.570m in 2012/13. The material items included within this increase are a downward revaluation of £12.493m of the authority's one third share of the Waste PFI assets included as an exceptional item in 2012/13 offset by the exceptional item included in 2011/12 of £18.081m in respect of HRA self financing. More detail on the 2012/13 material item can be found in note 4.

## Capital Summary

In 2012/13, 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.

Capital expenditure totalled £69.265m in 2012/13 compared with the final approved budget of £71.551m (after reprofiling and budget adjustment for slippage of capital schemes carried forward to 2013/14). 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 £2.286m will be reallocated by the authority in 2013/14.

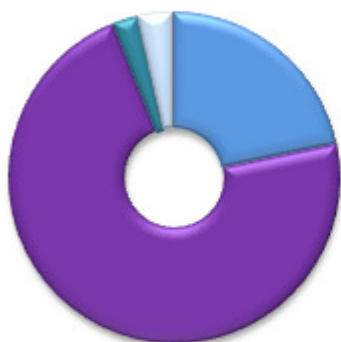
Many large and smaller capital projects were undertaken in 2012/13 and included expenditure on council dwellings (£28.9m), education (£12.7m), city infrastructure such as city vehicles, waste and parks (£4.0m), transport (£12.5m), private sector renewal grants, disabled facilities grants, energy efficiency and other schemes in respect of General Fund housing (£4.7m) and ICT and accommodation strategies (£2.7m).

The level of capital expenditure has reduced by £50.319m from £119.584m in 2011/12 to £69.265m in 2012/13; this overall decrease related mainly to £48.475m of capital expenditure in 2011/12 in relation to the energy recovery facility which forms part of the waste PFI contract.

The following chart shows the total programmed capital expenditure split by operating segment:

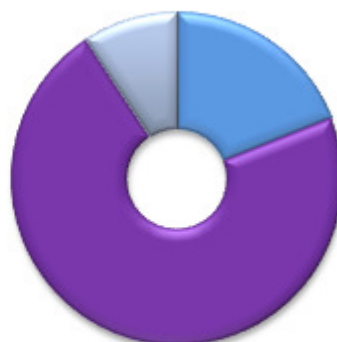
## Total Capital Expenditure by Operating Segment

**2011/12**



- People £25.948m
- Place £86.404m
- Communities £3.045m
- Finance and Resources £4.187m

**2012/13**

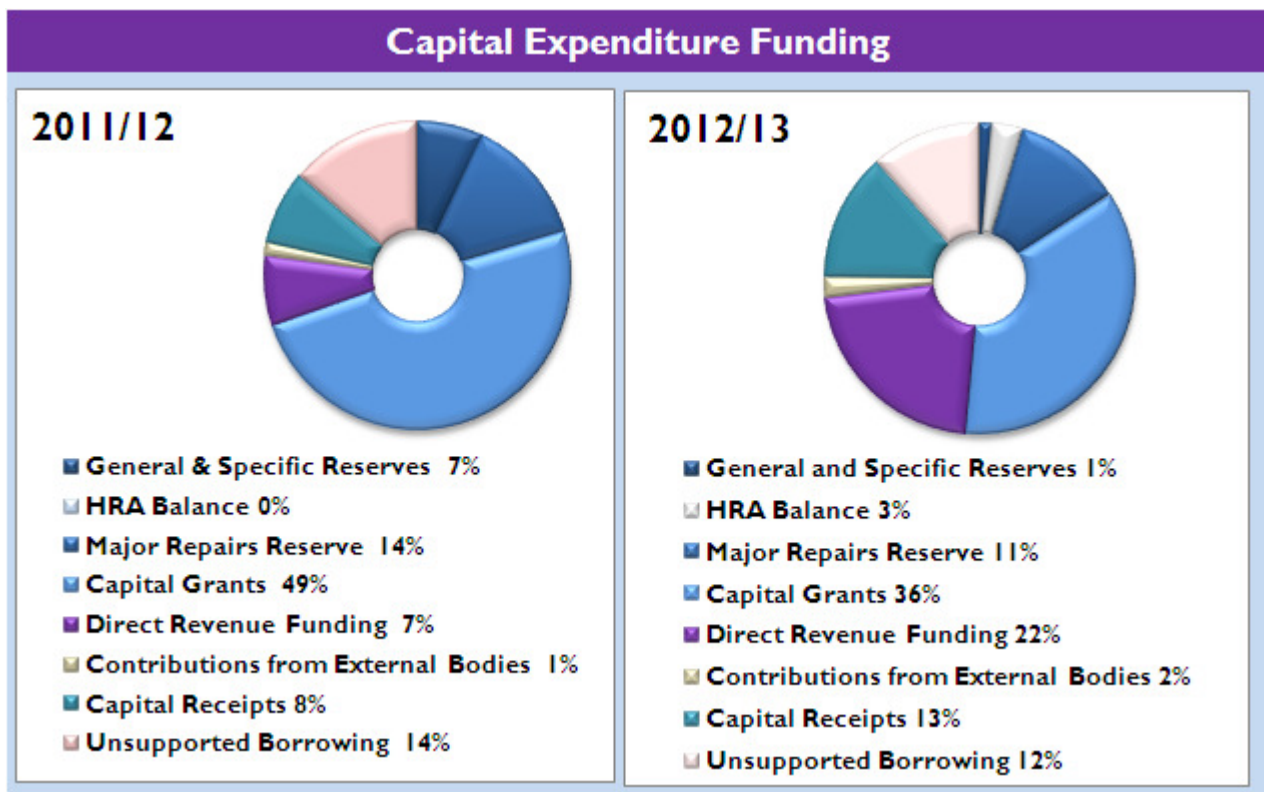


- People £13.305m
- Place £50.154m
- Communities £0.011m
- Finance and Resources £5.795m

The authority's 2012/13 capital programme was funded from various internal and external sources. The following table details that funding:

Capital Programme	
	Total £'000
Capital Outturn	69,265
<b>Total Funding Requirement</b>	<b>69,265</b>
<b>Funding:</b>	
General and Specific Reserves	(924)
HRA Balance	(2,270)
Capital expenditure financed by the Major Repairs Reserve (MRR)	(7,796)
Capital Grants	(24,663)
Contributions from External Bodies	(1,436)
Capital Receipts	(9,266)
Direct Revenue Funding	(14,997)
Unsupported Borrowing	(7,913)
<b>Total Funding</b>	<b>(69,265)</b>

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



Notes 16, 18 and 20 to the financial statements provide further information on significant 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 year's 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 current minimum level of working balances deemed appropriate for the authority are set at £9m for the General Fund and £2.7m for the HRA. These levels of balances have been based on the robustness of estimates information and the Corporate Risk Register. In addition, the other strategic, operational and financial risks taken into account when considering the minimum level of the working balance include:

- The complexity and degree of uncertainty associated with planned economy and efficiency measures and/or service changes and the likelihood of achieving them in full;
- The level of balances required to complement resources potentially available under the Bellwin Scheme for Emergency Financial Assistance to Local Authorities in the event of a major emergency;
- Risks of rising demand, increasing costs and/or falling income due to economic conditions or potential legislative changes;
- The risk of major legal challenges, both current and in the future;
- Risks in the financial inter-relationship between the NHS or other major partnerships and the authority;
- The need to retain a general contingency to provide against unforeseen circumstances that may arise;
- The need to retain reserves for general day-to-day cash flow needs
- The cash flow risk for unitary authorities is significant given the full range of services provided.

The underspend in 2012/13 for both the General Fund and HRA is included in the authority's working balance. The following table shows the working balance position for both the General Fund and HRA:

<b>General Fund and HRA Balances</b>	
	<b>Total £'000</b>
<b>General Fund</b>	
<b>Balances at 1 April 2012</b>	<b>(16,976)</b>
Contribution to balances	(4,610)
Net transfer to / (from) earmarked reserves	(746)
<b>Balance at 31 March 2013</b>	<b>(22,332)</b>
<b>Recommended General Fund Balance</b>	<b>(9,000)</b>
<b>Housing Revenue Account</b>	
<b>Balances at 1 April 2012</b>	<b>(6,720)</b>
Contribution to balances	(1,963)
Earmarked Surplus from the 2012/13 Budget	(400)
Net transfer to / (from) earmarked reserves	752
Contribution to capital programme	2,270
<b>Balance at 31 March 2013</b>	<b>(6,061)</b>
<b>Recommended HRA Balance</b>	<b>(2,700)</b>

The authority also holds earmarked reserves for both the General Fund and HRA. The General Fund earmarked reserves as at 31 March 2013 were £50.855m, a reduction of £5.887m. The HRA earmarked reserves as at 31 March 2013 were £2.619m, an increase of £1.679m. Note 10 provides information on the specific earmarked reserves held by the authority.

## Collection Fund

In 2012/13 there was an in-year surplus of £1.335m. This includes a £1.000m contribution from precepting authorities towards the previous years' deficit. The remaining surplus of £0.335m relates to a lower level of impairment required on financial assets due to improved debt collection rates. The Collection Fund statement and notes can be found on pages 122 to 123.

## HRA Self Financing

The HRA has been part of the national housing subsidy system through which council housing rents are standardised across the country. The subsidy system used a national formula to set guideline rents for each property together with allowances for management, maintenance and capital charges based on notional costs. The subsidy system was introduced in 1990 and was subsequently abolished by the Localism Act 2011. It has been replaced with a new system of self financing which came into effect from 1 April 2012. Under self financing the authority is no longer required to transfer its resources to central government, but in return was required to take on additional debt, called the 'self financing settlement', at a level which is sustainable in the long term.

The objectives of self financing are to give local authorities the power to make the best use of their housing stock, in a way which best meets the needs of individual households in their local area and to enable tenants and local taxpayers to hold their landlord to account for the cost and quality of their housing. Self financing will provide additional resources from the retention of all council housing rental income and through greater control locally, will enable longer term planning to improve the management and maintenance of housing stock.

The ring-fencing of the HRA remains under self financing; however there are some technical changes to the rules that govern the operation of the ring fence to take account of the self financing settlement payment and the new approaches to depreciation and debt management within the HRA.

Under the old system, the authority was required to place some of its income each year into a Major Repairs Reserve, at a level that was at least the level of the Major Repairs Allowance (i.e. the amount the government assumed the authority needed to spend on capital works when it calculated subsidy entitlement) which could then be spent on major repairs or on repaying housing debt; this ensured that the authority made appropriate provision for capital works.

Under self financing, the principles of the Major Repairs Reserve are retained; however, there is no Major Repairs Allowance (MRA). Therefore the authority must now make 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 housing stock plus an amount for the fabric of the building.

To assist local authorities in the change to the statutory accounting arrangements, 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 have been introduced under the Item 8 Determination to allow a five year transition period whereby local authorities are able to:

- Use a notional 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 2012/13 and each of the next four years;
- Utilise a credit transfer for any excess of housing stock (council dwellings) depreciation above an amount equal to the notional MRA;
- Reverse revaluation and impairment losses on housing stock (council dwellings) out of the HRA where the HRA revaluation reserve cannot meet the loss.

In 2012/13, the authority has opted to use the transitional arrangements in respect of revaluation and impairment losses. However, as the 2012/13 actual depreciation charge is lower than the notional major repairs allowance, the authority has not applied an adjusting credit transfer in respect of depreciation.

There are no such transitional arrangements in place for depreciation, impairment and revaluation losses on non council dwellings; from this reporting period, these charges are real charges to the HRA.

## Housing Local Delivery Vehicle

Brighton & Hove Seaside Community Homes Ltd is a not for profit charity company set up by 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 over a five year period starting from November 2011; a further 201 properties were transferred during 2012/13. The properties will be let to homeless households and people with particular needs nominated by the authority.

The transfer of the properties in the reporting period to Brighton & Hove Seaside Community Homes Ltd has been treated as asset disposals in the authority's financial statements. The carrying value on the authority's Balance Sheet as at 31 March 2013 for the transferred properties was £12.766m; this valuation was provided by the authority's external valuers based on Existing Use Value.

The capital receipt received by the authority in respect of the transferred assets was £6.563m and is held in the Capital Receipts Reserve on the Balance Sheet. This was based on a best consideration (i.e. market value) valuation prepared by external property advisors and takes account of the full portfolio of 499 properties. The difference between the carrying valuation and the capital receipt is included in the authority's Comprehensive Income and Expenditure Account.

The authority has a contingent liability in respect of Brighton & Hove Seaside Community Homes Ltd arising from an indemnity provided by the authority to the organisation's funder whereby the rental income received by the organisation from its tenants equals, as a minimum, the projected income set out in the organisation's approved business plan. A provision has been made in these accounts to cover the immediate shortfall arising from the indemnity being triggered; however, the authority is not able to determine the probability or size of any indemnity being called upon in later years as the level of future rental income is dependent upon factors outside the authority's control.

The authority has considered whether it has a group relationship with Brighton & Hove Seaside Community Homes Ltd and therefore whether the production of group accounts is required for the reporting period. The authority has concluded that there is no group relationship. The authority does not have an investment interest in the company in the form of a formal share holding. Although the authority does take some risks and rewards of ownership in its relationship with the company, there are mechanisms and conditions in place to manage the risk. The authority's level of exposure to risks and potential rewards is based on a number of future variables

and the authority has therefore concluded that any ownership interest it has in the company, based on its exposure to these risks and rewards, cannot be 'reliably measured'.

## Non Current Assets

The value of the authority's non current assets (including current assets held for sale) has increased in year by £17.107m, from £2,062.292m in 2011/12 to £2,079.399m in 2012/13.

The authority has incurred capital expenditure on non current assets of £64.700m and has also acquired a donated asset which is valued at £0.156m.

The authority has disposed of £17.028m of non current assets in the year, part of which related to disposals under finance leases. The authority entered into two finance leases as lessor which commenced in the reporting period and therefore the assets relating to these leases were removed from the Balance Sheet as disposals, the carrying value of these assets was £0.964m. In addition, the properties transferred to Brighton & Hove Seaside Community Homes Ltd were transferred under finance leases, the carrying value of these assets was £12.766m (see section "housing local delivery vehicle" above). The authority did not enter into any additional finance leases as lessee in the reporting period. Note 22 provides details on leases and lease type arrangements.

During 2012/13, the authority's valuers of the housing stock, Wilks Head and Eve, assessed that as at 1 April 2012 there should be a reduction in the value of council dwellings resulting in a revaluation loss of £3.141m, after reversing the previous years depreciation of £8.001m.

The authority appointed new external valuers for the housing stock during the reporting periods who, as part of their valuation work in 2012/13, have advised that the sheltered housing stock should attract the same social housing adjustment as the general housing stock. This has led to a further downward valuation of the housing stock of £1.785m. A further impairment review report was commissioned by the authority which reported no further significant reductions in value during 2012/13.

Other asset values have increased by £15.476m due to valuations carried out in the reporting period of which £1.647m related to impairment reversals and £17.507m related to revaluation losses both of which were charged to the Comprehensive Income and Expenditure Statement, £33.124m of revaluation increases charged to the revaluation reserve and changes in valuations on investment properties of £1.788m.

Within the £17.507m of revaluation losses and £33.124m upward revaluations, the authority has recognised the following significant revaluations as a result of a change in the valuation methodology used by the authority to value these assets:

- £12.493m revaluation loss in respect of the waste PFI assets;
- £4.351m revaluation loss in respect of the Moulsecoomb Hub;
- £17.838m upward revaluation in respect of Withdean Stadium land and buildings;
- £5.091m upward revaluation in respect of the Royal Pavilion.

The authority has also recognised a £3.247m revaluation loss in respect of the authority's schools as a result of reduced site costs and increased repairs being taken into account in the valuation approach.

These significant revaluations occurred as a result of the revaluation of assets in accordance with the authority's asset revaluation policy.

Assets have been depreciated in year by £41.273m

The authority has componentised three assets in the reporting period in respect of the Brighton Centre, Newhaven Energy Recovery Facility and the Jubilee Library which have a combined gross book value as at 31 March 2013 of £93.807m. The Newhaven Energy Recovery Facility and Jubilee Library were both revalued in the reporting period. The depreciation charge for these componentised assets was calculated on the revalued amount and totalled £3.067m; being a decrease of £0.399m in comparison to the level of depreciation charge if the assets had not been componentised. In 2012/13, £2.606m of capital expenditure was added to already componentised assets and £0.019m of capital expenditure was added to the Brighton Centre; no derecognition of components took place as the individual amounts were immaterial.

Notes 16 to 20 to the financial statements provide 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, has increased from £155.645m at 31 March 2012 to £198.203m at 31 March 2013, an increase of £42.558m.

The overall deficit on the pension fund of £198.203m represents the difference between the value of the authority's pension fund assets as at 31 March 2013 and the estimated present value of the future pension payments (i.e. liability) to which it was committed at that date. The value of the authority's pension fund assets has increased from £599.362m as at 31 March 2012 to £692.012m as at 31 March 2013, an increase of £92.650m. The value of the future pension payments liability has increased from £755.007m as at 31 March 2012 to £890.215m as at 31 March 2013, an increase of £135.208m.

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 them.

In relation to the increases in the pension fund assets and liabilities, the pension actuary has advised that:

- In respect of pension scheme liabilities, financial assumptions at 31 March 2013 are less favourable than they were at 31 March 2012. Specifically the discount rate used in the actuarial calculations has decreased during the year resulting in a negative impact on the position. Pension Scheme benefits are linked to price inflation 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 pension actuary has changed the methodology for calculating the discount rate using longer maturity yields available on bonds which had the effect of reducing the discount rate from 4.8% to 4.5%. A lower real discount rate leads to a higher value being placed on the liabilities.
- In respect of pension scheme assets, investment performance during the previous twelve months has been better than expected resulting in a positive impact on the position. This positive impact on the assets has been outweighed by the negative impact on the liability leading to the net increase in the authority's pension liability.

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 also recognises a reserve for the estimated net pensions liability. Therefore, amounts included in the authority's accounts in relation to post employment benefits have no effect on the council tax requirement.

Notes 32 and 33 to the financial statements provide further information on pension costs.

## Borrowing Facilities

At 31 March 2013, the authority's level of borrowing was £213.118m (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 2012/13 was approved by Full Council in March 2012. 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 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 revenue budget in the long term. The TMPS sets out measures targeted 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 decreased in year by £3.537m. The following table shows the level of borrowing as at the Balance Sheet date:

Level of Borrowing		
	31 March 2012 £'000	31 March 2013 £'000
Short term borrowing	(4,946)	(5,090)
Bank overdraft	(6,884)	(3,123)
Long term borrowing	(204,825)	(204,905)
<b>Total borrowing</b>	<b>(216,655)</b>	<b>(213,118)</b>
<b>(Increase) / Decrease year on year</b>	<b>(26,469)</b>	<b>3,537</b>

The authority has not raised any new loans or repaid any borrowings during the reporting period.

## Investments

At 31 March 2013, the authority held investments of £55.446m. 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 not covered by the in-house team, such as government stock.

The authority's annual investment strategy (AIS) for 2012/13 was approved by Full Council in March 2012.

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 increased in year by £2.535m. The following table shows the level of investments made as at the Balance Sheet date:

Level of Investments		
	31 March 2012 £'000	31 March 2013 £'000
Short term investments	29,789	25,080
Cash Equivalents	23,122	30,366
Long term investments	0	0
<b>Total investments</b>	<b>52,911</b>	<b>55,446</b>
<b>Increase / (Decrease) year on year</b>	<b>(4,082)</b>	<b>2,535</b>

During the reporting period, the authority has placed new short term investments of £666m in 2012/13, of which £637m relates to cash equivalents, and has realised cash from the maturity of short term investments of £678m of which £644m relates to cash equivalents. Note 36 to the financial statements provides further information on investments.

## Section 75 (S75) of the National Health Service Act 2006

The authority has entered into various S75 arrangements in relation to personal social care, community health and educational services for children and young people, and personal social services and community health care for adults.

In respect of these S75 arrangements with NHS partners, the authority is lead commissioner for both learning disability services and children and young people services.

Note 8 to the financial statements provides further information on these S75 arrangements.

## Further Information

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

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

# Statement of Responsibilities

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## 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<sup>1</sup> 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 accounting date and its income and expenditure for the year ended 31 March 2013.

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 accounts present a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

**Catherine Vaughan CPFA**  
**Executive Director Finance & Resources (Section 151 Officer)**  
**24 September 2013**

<sup>1</sup> Chartered Institute of Public Finance and Accountancy

# Certification by Chairman

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I confirm that these accounts were approved by the Audit and Standards Committee at a meeting held on 24 September 2013.

**Signed on behalf of Brighton & Hove City Council**

**Leslie Hamilton**  
**Chairman**  
**Audit and Standards Committee**

**Date 24 September 2013**



**Brighton & Hove City Council**

**Single Entity  
Core Financial Statements  
2012/13**

# Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the authority, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus / Deficit on the Provision of Services line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund (GF) balance and the Housing Revenue Account (HRA) for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance and HRA balance before any discretionary transfers to or from earmarked reserves are undertaken by the authority.

Movement in Reserves during 2011/12	Note	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2011	4	(16,137)	(67,918)	(4,700)	(2,498)	(1,375)	(1,161)	(93,789)	(1,575,933)	(1,669,722)
(Surplus) / Deficit on the Provision of Services	4	3,688	0	9,775	0	0	0	13,463	0	13,463
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	5,821	5,821
<b>Total Comprehensive Income and Expenditure</b>		<b>3,688</b>	<b>0</b>	<b>9,775</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,463</b>	<b>5,821</b>	<b>19,284</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	9	3,283	0	(11,826)	0	(2,219)	(1,349)	(12,111)	12,111	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>		<b>6,971</b>	<b>0</b>	<b>(2,051)</b>	<b>0</b>	<b>(2,219)</b>	<b>(1,349)</b>	<b>1,352</b>	<b>17,932</b>	<b>19,284</b>
Transfers (to) / from Earmarked Reserves	10	(7,810)	11,176	31	1,558	0	0	4,955	(4,955)	0
<b>(Increase) / Decrease in Year</b>		<b>(839)</b>	<b>11,176</b>	<b>(2,020)</b>	<b>1,558</b>	<b>(2,219)</b>	<b>(1,349)</b>	<b>6,307</b>	<b>12,977</b>	<b>19,284</b>
Balance at 31 March 2012		(16,976)	(56,742)	(6,720)	(940)	(3,594)	(2,510)	(87,482)	(1,562,956)	(1,650,438)

Please note the comparative Movement in Reserves Statement above has been restated to reflect the prior period adjustments for sheltered housing stock, rare books and the Royal Pavilion. Note 4 provides more detail.

<b>Movement in Reserves during 2012/13</b>	<b>Note</b>	<b>General Fund Balance £'000</b>	<b>Earmarked GF Reserves £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Earmarked HRA Reserves £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Unusable Reserves £'000</b>	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2012</b>		<b>(16,976)</b>	<b>(56,742)</b>	<b>(6,720)</b>	<b>(940)</b>	<b>(3,594)</b>	<b>(2,510)</b>	<b>(87,482)</b>	<b>(1,562,956)</b>	<b>(1,650,438)</b>
(Surplus) / Deficit on the Provision of Services		15,202	0	(6,451)	0	0	0	8,751	0	8,751
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	11,020	11,020
<b>Total Comprehensive Income and Expenditure</b>		<b>15,202</b>	<b>0</b>	<b>(6,451)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,751</b>	<b>11,020</b>	<b>19,771</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	<b>9</b>	(15,657)	0	3,804	0	(1,603)	(514)	<b>(13,970)</b>	13,970	<b>0</b>
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>		<b>(455)</b>	<b>0</b>	<b>(2,647)</b>	<b>0</b>	<b>(1,603)</b>	<b>(514)</b>	<b>(5,219)</b>	<b>24,990</b>	<b>19,771</b>
Transfers (to) / from Earmarked Reserves	<b>10</b>	(4,901)	5,887	3,306	(1,679)	699	(118)	<b>3,194</b>	(3,194)	<b>0</b>
<b>(Increase) / Decrease in Year</b>		<b>(5,356)</b>	<b>5,887</b>	<b>659</b>	<b>(1,679)</b>	<b>(904)</b>	<b>(632)</b>	<b>(2,025)</b>	<b>21,796</b>	<b>19,771</b>
<b>Balance at 31 March 2013</b>		<b>(22,332)</b>	<b>(50,855)</b>	<b>(6,061)</b>	<b>(2,619)</b>	<b>(4,498)</b>	<b>(3,142)</b>	<b>(89,507)</b>	<b>(1,541,160)</b>	<b>(1,630,667)</b>

# Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement 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. 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 Movement in Reserves Statement.

Year Ended 31 March 2012			Note		Year Ended 31 March 2013		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
				<b>Continuing Services</b>			
39,740	(34,715)	5,025		Central Services	46,723	(36,974)	9,749
45,867	(14,384)	31,483		Cultural and Related Services	39,908	(12,934)	26,974
34,460	(5,642)	28,818		Environmental and Regulatory Services	34,924	(5,068)	29,856
0	0	0	4	Exceptional Item in respect of revaluation of Waste PFI assets	12,493	0	12,493
12,610	(5,015)	7,595		Planning Services	11,283	(3,612)	7,671
252,751	(174,446)	78,305		Children's and Education Services	249,229	(177,649)	71,580
37,520	(25,401)	12,119		Highways and Transport Services	37,406	(25,808)	11,598
33,563	(48,930)	(15,367)	4	Housing Services - Housing Revenue Account (HRA)	37,003	(52,797)	(15,794)
18,081	0	18,081		Exceptional Item in respect of HRA self financing	0	0	0
198,986	(175,102)	23,884		Other Housing Services	205,168	(179,823)	25,345
112,598	(30,194)	82,404		Adult Social Care	110,431	(29,291)	81,140
5,937	0	5,937		Corporate and Democratic Core	5,154	0	5,154
1,622	0	1,622		Non Distributed Costs	848	0	848
<b>793,735</b>	<b>(513,829)</b>	<b>279,906</b>	35	<b>Cost of Services</b>	<b>790,570</b>	<b>(523,956)</b>	<b>266,614</b>
26,618	(8,874)	17,744	11	Other Operating Expenditure	18,255	(11,768)	6,487
15,882	(4,861)	11,021	12	Financing and Investment Income and Expenditure	19,185	(4,287)	14,898
0	(295,208)	(295,208)	13	Taxation and Non-Specific Grant Income	0	(279,248)	(279,248)
<b>836,235</b>	<b>(822,772)</b>	<b>13,463</b>	35	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>828,010</b>	<b>(819,259)</b>	<b>8,751</b>
		(46,244)	26	Surplus on Revaluation of Non Current Assets			(33,124)
		7	26, 36	(Surplus) / Deficit on Revaluation of Available for Sale Financial Assets			(4)
		52,058	33	Actuarial (Gains) / Losses on Pension Assets and Liabilities			44,148
		<b>5,821</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>11,020</b>
		<b>19,284</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>19,771</b>

Please note the comparative figures in the above Comprehensive Income and Expenditure Statement have been restated to reflect the prior period adjustments for sheltered housing stock and the Royal Pavilion. Note 4 provides more detail.



# 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. The first category of reserves is usable reserves (i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use). The second category of reserves is those that the authority is not able to use to provide services (i.e. unusable reserves). This category of reserves 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 Movement in Reserves Statement under Adjustments between Accounting Basis and Funding Basis under Regulations.

As at 1 April 2011 £'000	As at 31 March 2012 £'000	Note		As at 31 March 2013 £'000
1,727,303	1,809,214	4,16	Property, Plant and Equipment	1,821,036
199,057	203,798	4,17	Heritage Assets	210,807
44,156	44,674	18	Investment Property	43,398
3,205	2,768	20	Intangible Assets	2,947
1,398	0	19	Assets Held for Sale	0
6,484	6,517	37	Long Term Debtors	7,149
<b>1,981,603</b>	<b>2,066,971</b>		<b>Long Term Assets</b>	<b>2,085,337</b>
32,969	29,789	36	Short Term Investments	25,080
853	855		Inventories	862
55,234	36,954	36,37	Short Term Debtors	39,690
24,024	23,122	34,36	Cash Equivalents	30,366
1,900	1,838	19	Assets Held for Sale	1,211
<b>114,980</b>	<b>92,558</b>		<b>Current Assets</b>	<b>97,209</b>
(4,731)	(6,884)	34,36	Bank Overdraft	(3,123)
(9,738)	(4,946)	36	Short Term Borrowing	(5,090)
(68,570)	(62,066)	36,38	Short Term Creditors	(54,973)
(5,020)	(4,393)	24	Provisions	(4,537)
<b>(88,059)</b>	<b>(78,289)</b>		<b>Current Liabilities</b>	<b>(67,723)</b>
(7,220)	(4,614)	24	Provisions	(4,804)
(175,717)	(204,825)	36	Long Term Borrowing	(204,905)
(134,529)	(215,060)	23,33	Other Long Term Liabilities	(255,889)
(21,336)	(6,303)	14	Capital Grant Receipts in Advance	(18,558)
<b>(338,802)</b>	<b>(430,802)</b>		<b>Long Term Liabilities</b>	<b>(484,156)</b>
<b>1,669,722</b>	<b>1,650,438</b>		<b>Net Assets</b>	<b>1,630,667</b>
(93,789)	(87,482)	25	Usable Reserves	(89,507)
(1,575,933)	(1,562,956)	4,26	Unusable Reserves	(1,541,160)
<b>(1,669,722)</b>	<b>(1,650,438)</b>		<b>Total Reserves</b>	<b>(1,630,667)</b>

Please note the comparative figures in the above Balance Sheet have been restated to reflect the prior period adjustments for sheltered housing stock, rare books and the Royal Pavilion. Note 4 provides more detail.

The unaudited accounts were issued on 7 June 2013 and the audited accounts were authorised for issue on 24 September 2013.

Catherine Vaughan CPFA  
Executive Director Finance & Resources (Section 151 Officer)  
24 September 2013

# 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.

2011/12 £'000	Note		2012/13 £'000
(13,463)	4	Net surplus / (deficit) on the provision of services	(8,751)
61,647	4	Adjustment to surplus / (deficit) on the provision of services for non cash movements	74,392
(44,740)		Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	(36,943)
<b>3,444</b>	<b>34</b>	<b>Net Cash Flows from Operating Activities</b>	<b>28,698</b>
(33,746)	34	Net cash flows from investing activities	(16,917)
27,247	34	Net cash flows from financing activities	(776)
<b>(3,055)</b>		<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>11,005</b>
<b>19,293</b>	<b>34</b>	<b>Cash and Cash Equivalents as at 1 April</b>	<b>16,238</b>
<b>16,238</b>	<b>34</b>	<b>Cash and Cash Equivalents as at 31 March</b>	<b>27,243</b>

Please note the comparative figures in the above Cash Flow Statement have been restated to reflect the prior period adjustment for sheltered housing stock. Note 4 provides more detail.

# Notes to the Core Financial Statements

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## 1 Accounting Policies

The authority has included a summary of its significant accounting policies in a separate section of the accounts which can be found on pages 124 to 162.

In 2012/13, the authority has changed its accounting policy in respect of the property, plant and equipment valuation of its sheltered housing stock. This change in accounting policy has been applied retrospectively. Further details can be found in note 4 to the financial statements.

The authority has also updated the accounting policies for property, plant and equipment, investment property, intangible assets and impairment to reflect:

- the accounting treatment under HRA self financing in respect of non dwellings. The charges in respect of non dwellings now fall on the HRA balance, as the reversal of these charges is no longer permitted. In relation to non dwelling depreciation, the impact of revenue balances is mirrored by an equal increase in the major repairs reserve balance (effectively a transfer between revenue and capital); however, any impairment and valuation losses for non dwellings (net of any charge to the revaluation reserve) will have a real impact on the level of HRA reserves. Impairment and valuation losses not covered by the Revaluation Reserve are charged to the HRA balance.
- the accounting treatment under HRA self financing in respect of council dwellings. To meet the accounts and audit regulations, the major repairs reserve (MRR) is credited and the HRA balance is debited with a sum equal to HRA depreciation. The charge to the HRA balance is then reversed through the Movement in Reserves Statement to the capital adjustment account. If the depreciation charge is lower than the notional major repairs allowance (MRA), the authority can make an adjustment for the difference so that the charge to the HRA balance and transferred to the MRR is the MRA instead of depreciation. This optional adjustment is available only during the five year transition period. Impairment and valuation losses not covered by the Revaluation Reserve are charged to the HRA balance but during the transition period will be reversed through the Movement in Reserves Statement to the capital adjustment account.

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

The Code has adopted the 2011 amendments to IAS 19 *Employee Benefits* and IAS 1 *Presentation of Financial Statements* which will need to be adopted fully by the authority in 2013/14. This is a change in accounting policy as at 1 April 2013 that will require disclosure and the publication of a Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) in the 2013/14 financial statements.

In respect of the amendments to IAS 19, the change will introduce new classes of components of defined benefit cost to be recognised in the financial statements (i.e. net interest on the net defined benefit liability / asset and re-measurements of the net defined benefit liability / asset) together with new definitions of recognition criteria for service costs and termination benefits. The authority's pension actuaries have advised that the effect of the change to IAS 19 on the Comprehensive Income and Expenditure Statement to 31 March 2013 will be an increase of £6.617m.

In respect of the amendments to IAS 1, the change will require new groupings of the sections under Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement into re-classifiable and non-re-classifiable groupings. This is a presentational issue only and will not impact on any of the reported amounts in the Comprehensive Income and Expenditure Statement.

## 3 Critical Judgements and Assumptions Made

In preparing the Statement of Accounts, 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.

The authority includes accounting estimates within the accounts; the significant accounting estimates relate to non current assets and impairment of financial assets.

Estimates 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Retirement Benefit Obligations – 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 to be applied. 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 33;
- 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 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 24 and 27 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;
- 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 has a high degree of uncertainty. The authority has set aside amounts in provisions, working balances and reserves which it believes 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. The authority’s budget strategy for 2013/14 was approved in February 2013 and can be found on the authority’s website;
- 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 and in reviewing contractual

arrangements having the substance of a lease (e.g. contract values and length of contract). Details of the authority's leases and lease type arrangements are set out in note 22;

- 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 23;
- Voluntary Aided Schools – The authority has determined that voluntary aided schools fall outside of the scope of IFRIC 12 and IAS 16 as it does not control to whom the services are provided as the Governors of the schools are the admissions authority. The Government sets the curriculum requirements and so controls the service. Without sight of any actual agreement, the deciding factor of whether the buildings are on or off balance sheet will be who is responsible for maintaining and running the schools. The authority is only statutorily responsible for the playing fields. The building element will be maintained by the voluntary bodies who are also responsible for the running of the school (e.g. employment of staff, admin procedures etc) and for these reasons they are off Balance Sheet;
- Academy Schools – The authority has exercised judgement of the treatment of the assets of the two 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 Brighton Aldridge Community Academy (BACA), the new School was completed and transferred to the possession of BACA on 19th August 2011 and became operational as the main school premises in September 2011. The school land and buildings are subject to a long term lease (125 years) to commence on completion of the contract; however, the final (legal) execution of the lease has been subject to delay and was not in place as at the Balance Sheet date. Therefore, the asset remains under the control of the authority until the long term lease is signed and the authority continued to hold the asset on its Balance Sheet for the reporting period. In respect of Portslade Aldridge Community Academy (PACA), the new school was still under construction at the Balance Sheet date and short term leases were in place to allow the academy to occupy the existing assets; therefore, the authority held 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. The authority has also exercised judgement in relation to the charging of depreciation on heritage assets;
- 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 six tests set out in CIPFA's Group Accounts in Local Authorities Practitioners Workbook Second Edition 2011. The authority's main exercise of judgement in relation to these tests is in relation to the test as to whether the authority's interest in Seaside is as an investor and therefore whether Seaside is an associate of the authority for group accounting purposes. The authority does not have an investment interest in the company in the form of a formal share holding. Although the authority does take some risks and rewards of ownership in its relationship with the company, there are mechanisms and conditions in place to manage the risk. The authority's level of exposure to risks and potential rewards is based on a number of future variables and the authority has therefore concluded that any ownership interest it has in the company, based on its exposure to these risks and rewards, cannot be 'reliably measured'.

## 4 Prior Period Adjustments and Material Items of Income and Expense

### Prior Period Adjustments

The authority has made an adjustment in the financial statements in respect of a change in accounting policy relating to the property, plant and equipment valuation for its sheltered housing stock. During 2012/13, the authority appointed new external valuers, Savills, for the housing stock who, as part of their 2013/14 valuation work, have advised the authority that the sheltered housing stock should attract the same social housing adjustment as the general housing stock. Following receipt of this advice, the authority further considered the composition and nature of its sheltered housing stock and concluded that it is more akin to general purpose housing with limited additional support (including call systems, shared laundry facilities, common rooms) and warden management. The form of tenancy (secured tenancy, not short term) is also the same across the

authority's sheltered and general purpose housing stock. Based on this assessment, the authority determined that it was appropriate to apply the regional social housing discount factor to the EUV value for its sheltered housing provided by Wilks Head and Eve, the authority's HRA valuer in 2012/13. Therefore, the authority has amended its accounting policy for valuation for sheltered housing stock such that the social housing discount factor should be applied to the existing use valuation. This change in accounting policy results in the financial statements providing reliable and more relevant information on the authority's financial position and is therefore necessary under the Code. The change is required to be applied retrospectively. Given that the impact of the change in accounting policy is material, a prior period adjustment is also required with disclosure of the impact at the start of the comparative period (the 'third balance sheet' disclosure).

The authority has also made an adjustment in the financial statements for a prior period error in respect of the valuation of the rare books category of heritage assets. When restating the 2011/12 financial statements for the change in accounting for heritage assets, the authority incorrectly disclosed the value of rare books. The insurance valuation received by the authority showed a valuation as at 1 April 2010 for rare books of £5m however the authority only accounted for a valuation of £0.500m. The Code requires material prior period errors to be corrected as a prior period adjustment with disclosure of the impact at the start of the comparative period (the 'third balance sheet' disclosure).

The authority has made a further adjustment in the financial statements in respect of the valuation of the Royal Pavilion category of heritage assets. The authority's insurance valuers supplied a separate valuation for the contents of the Royal Pavilion. The authority had in previous years excluded this contents valuation from the Royal Pavilion value held in its Balance Sheet. In 2012/13, the authority reconsidered this approach and concluded that as the contents valuation covered fixtures and fittings within the Royal Pavilion and also cover for its collections in respect of material damage, an element of the contents valuation should also be included in its Balance Sheet. The contents valuation also includes an element of non heritage assets, such as office equipment; however, neither the authority nor the insurance valuers can determine this element, therefore the whole of the contents valuations has been included in the authority's Balance Sheet.

These adjustments have had the following impact on the financial statements compared to that published in the 2011/12 Statement of Accounts. Please note the following tables only show extracts of the financial statements where figures have been adjusted to take account of these changes.

#### Effect on the Balance Sheet as at 1 April 2011 (third balance sheet)

	Originally Stated as at 1 April 2011 £'000	HRA Sheltered Scheme Assets £'000	Heritage Assets - Rare Books £'000	Heritage Assets - Royal Pavilion £'000	Restated as at 1 April 2011 £'000
Property, Plant and Equipment	1,788,155	(60,852)	0	0	1,727,303
Heritage Assets	177,901	0	4,500	16,656	199,057
<b>Long Term Assets</b>	<b>2,021,299</b>	<b>(60,852)</b>	<b>4,500</b>	<b>16,656</b>	<b>1,981,603</b>
<b>Net Assets</b>	<b>1,709,418</b>	<b>(60,852)</b>	<b>4,500</b>	<b>16,656</b>	<b>1,669,722</b>
Unusable Reserves	(1,615,629)	60,852	(4,500)	(16,656)	(1,575,933)
<b>Total Reserves</b>	<b>(1,709,418)</b>	<b>60,852</b>	<b>(4,500)</b>	<b>(16,656)</b>	<b>(1,669,722)</b>

#### Effect on the Balance Sheet as at 31 March 2012 (comparative figures)

	Originally Stated as at 31 March 2012 £'000	HRA Sheltered Scheme Assets £'000	Heritage Assets - Rare Books £'000	Heritage Assets - Royal Pavilion £'000	Restated as at 31 March 2012 £'000
Property, Plant and Equipment	1,870,431	(61,217)	0	0	1,809,214
Heritage Assets	182,301	0	4,500	16,997	203,798
<b>Long Term Assets</b>	<b>2,106,691</b>	<b>(61,217)</b>	<b>4,500</b>	<b>16,997</b>	<b>2,066,971</b>
<b>Net Assets</b>	<b>1,690,158</b>	<b>(61,217)</b>	<b>4,500</b>	<b>16,997</b>	<b>1,650,438</b>
Unusable Reserves	(1,602,676)	61,217	(4,500)	(16,997)	(1,562,956)
<b>Total Reserves</b>	<b>(1,690,158)</b>	<b>61,217</b>	<b>(4,500)</b>	<b>(16,997)</b>	<b>(1,650,438)</b>

### Effect on the Movement in Reserves Statement as at 31 March 2012 (comparative figures)

	Originally Stated £'000	HRA Sheltered Scheme Assets £'000	Heritage Assets - Rare Books £'000	Heritage Assets - Royal Pavilion £'000	Restated £'000
<b>Balance as at 1 April 2011</b>	<b>(1,709,418)</b>	<b>60,852</b>	<b>(4,500)</b>	<b>(16,656)</b>	<b>(1,669,722)</b>
(Surplus) / Deficit on the provision of services	13,098	365	0	0	13,463
Other Comprehensive Income and Expenditure	6,162	0	0	(341)	5,821
<b>Total Comprehensive Income and Expenditure</b>	<b>19,260</b>	<b>365</b>	<b>0</b>	<b>(341)</b>	<b>19,284</b>
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>19,260</b>	<b>365</b>	<b>0</b>	<b>(341)</b>	<b>19,284</b>
<b>(Increase) / Decrease in Year</b>	<b>19,260</b>	<b>365</b>	<b>0</b>	<b>(341)</b>	<b>19,284</b>
<b>Balance as at 31 March 2012</b>	<b>(1,690,158)</b>	<b>61,217</b>	<b>(4,500)</b>	<b>(16,997)</b>	<b>(1,650,438)</b>

### Effect on the Comprehensive Income and Expenditure Statement (comparative figures)

	Originally Stated as at 31 March 2012 £'000	HRA Sheltered Scheme £'000	Heritage Assets - Royal Pavilion £'000	Restated as at 31 March 2012 £'000
Housing Services - Housing Revenue Account	(15,732)	365	0	(15,367)
<b>Cost of Services</b>	<b>279,541</b>	<b>365</b>	<b>0</b>	<b>279,906</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>13,098</b>	<b>365</b>	<b>0</b>	<b>13,463</b>
Surplus on Revaluation of Non Current Assets	(45,903)	0	(341)	(46,244)
<b>Other Comprehensive Income and Expenditure</b>	<b>6,162</b>	<b>0</b>	<b>(341)</b>	<b>5,821</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>19,260</b>	<b>365</b>	<b>(341)</b>	<b>19,284</b>

### Effect on the Cash Flow Statement as at 31 March 2012 (comparative figures)

The changes had no impact on the cash balances of the authority; however, certain lines of the Cash Flow Statement were affected as follows:

	Originally Stated as at 31 March 2012 £'000	HRA Sheltered Scheme £'000	Restated as at 31 March 2012 £'000
Net surplus / (deficit) on the provision of services	(13,098)	(365)	(13,463)
Adjustment to surplus / (deficit) on the provision of services for non cash movements	61,282	365	61,647

### Material Items of Income and Expense

There is a material item of £12.493m included on the face of the Comprehensive Income and Expenditure Statement in respect of a downward revaluation of the authority's one third share of the Waste PFI assets. A valuation of these assets was undertaken in 2012/13 based on current fair value using the depreciated replacement cost (DRC) approach. Previously these assets had been recognised at their construction cost; however, the most recent valuation, using DRC, has led to the lower valuation. The likely causes of this are due

to DRC valuations adopting an instant build approach so financing costs are excluded and no allowance is made for developers profit as the principle is that it is the owner who would build it.

## 5 Events after the Balance Sheet Date

These accounts were authorised for issue by the Executive Director Finance & Resources on 24 September 2013. Events taking place after this date are not reflected in the financial statements or notes.

When the new arrangements for the retention of business rates come into effect on 1 April 2013, the authority will assume liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over to the government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authority, but would have been transferred to the government.

When the authority assumes these liabilities on 1 April 2013, the authority will recognise a provision for its respective share of the liability as at 1 April 2013. As this liability does not exist at the Balance Sheet date, the authority has not amended the 2012/13 financial statements and therefore reports this as a non adjusting post balance sheet event. The estimated level of liability on 1 April 2013 is £7.570m.

## 6 Trading Operations

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

## 7 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 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 precepting authorities.

### **National Non Domestic Rates (NNDR)**

The authority acts as an agent of the government when collecting NNDR. The authority recognises a creditor or debtor for cash collected from NNDR debtors as an agent for the government, but not yet paid (or overpaid) to the government at the Balance Sheet date.

The Collection Fund Statement and notes provide more detail in respect of income and expenditure in relation to these agency services. This statement and notes can be found on pages 122 to 123.



## 8 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 2012/13, the authority was party to a number of S75 arrangements as described below. From 1 April 2013, the Health and Social Care Act 2012 brought into existence a new structure for the NHS which resulted in the abolition of Primary Care Trusts and the creation of new Clinical Commissioning Groups (CCGs).

The NHS Brighton and Hove Clinical Commissioning Group (CCG) is a membership organisation of 47 GP practices which is responsible for commissioning a range of health services on behalf of the people of Brighton and Hove. The geographical area covered by the NHS Brighton and Hove CCG is co-terminus with the authority.

The NHS Brighton and Hove CCG is a statutory body and is treated as an NHS body for the purposes of the National Health Service Act 2006 ("the 2006 Act"). The duties of CCGs to commission certain health services are set out in section 3 of the 2006 Act, as amended by section 13 of the Health and Social Care Act 2012, and the regulations made under that provision. This means that from 1 April 2013, the current S75 arrangements with the outgoing Brighton and Hove Teaching Primary Care Trust will transfer to the NHS Brighton and Hove CCG.

To replace the previous governance arrangements, the NHS Brighton and Hove CCG will also form a Joint Commissioning Board (for adult services) and a Children and Young People Committee and Joint Commissioning Management Group (for children's services) with the authority pursuant to the two S75 agreements with the authority.

### Children & Young People's Trust (CYPT)

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

The gross income to the partnership in 2012/13 is £66.522m (£68.209m 2011/12) of which the authority made a contribution in 2012/13 of £55.582m (£57.079m 2011/12). The authority's contribution is included in the Children's and Education cost of services within the Comprehensive Income and Expenditure Statement. 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		
	2011/12 £'000	2012/13 £'000
Brighton & Hove City Council	57,079	55,582
Brighton & Hove City Primary Care Trust	1,430	1,357
Sussex Community Trust	9,700	9,583
<b>Total</b>	<b>68,209</b>	<b>66,522</b>

The expenditure of £1.357m is not spent directly by the PCT to provide services itself but is used to commission services from providers other than the authority and the SCT.

### 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 & Hove City Primary Care Trust (PCT), the Sussex Community Trust (SCT) and the Sussex Partnership Foundation Trust. The PCT act as lead commissioner for intermediate care, mental health, substance misuse and AIDS/HIV services whilst the authority is the lead for learning disability services for which it is also the lead provider. SCT

are the lead provider for intermediate care, AIDS/HIV and the community equipment store whilst the Sussex Partnership Foundation Trust is the lead provider for mental health and substance misuse services.

The authority made a commissioning contribution of £42.193m (£43.073m 2011/12) to the various pooled arrangements in 2012/13. This contribution is reflected in the Adult Social Care cost of services within the Comprehensive Income and Expenditure Statement.

The gross income to the partnerships in 2012/13 is £86.581m (£86.944m 2011/12) including PCT commissioning contributions. This has been expended by lead providers as follows:

<b>Section 75 - Adult Social Care</b>		
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
Sussex Community Trust	7,837	7,228
Sussex Partnership Foundation Trust	49,664	50,102
Brighton & Hove City Council	29,443	29,251
<b>Total</b>	<b>86,944</b>	<b>86,581</b>

Please note the contribution of £42.193m reflects the gross funding provided by the authority to the pooled arrangement whereas the expenditure figures included in the above table reflect the expenditure for the service areas provided by each party. The expenditure for the authority, disclosed in the above table, relates to learning disability services, for which the authority is the lead commissioner.

### **Learning Disability Services**

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

The table, which follows, provides details of the joint income and expenditure for learning disability services for which the authority is the lead provider:

<b>Section 75 - Learning Disability Services</b>		
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
<b>Funding provided to the Pooled Arrangement:</b>		
Brighton & Hove City Primary Care Trust	(598)	(791)
Brighton & Hove City Council	(29,443)	(29,251)
	<b>(30,041)</b>	<b>(30,042)</b>
<b>Net Expenditure met from the Pooled Arrangement:</b>		
Sussex Partnership Foundation Trust	598	791
Brighton & Hove City Council	29,443	29,251
	<b>30,041</b>	<b>30,042</b>
<b>Net (Surplus)/Deficit arising on the Pooled Arrangement during the year</b>	<b>0</b>	<b>0</b>

## 9 Adjustments between Accounting Basis and Funding Basis under Regulations

This disclosure details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against:

### General Fund Balance

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 financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practices. The General Fund balance therefore 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 financial year. The General Fund balance is not available to be applied to funding Housing Revenue Account services.

### Earmarked General Fund Reserves

The authority holds a number of earmarked General Fund reserves which are used to earmark resources for specific General Fund purposes. Note 10 provides a breakdown of General Fund earmarked reserves.

### Housing Revenue Account Balance

The Housing Revenue Account (HRA) balance reflects the statutory obligation to maintain a revenue account for local authority 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 years. The HRA financial statements can be found on pages 110 to 121.

### Major Repairs Reserve

The authority is required to maintain a Major Repairs Reserve, which controls 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 expenditure on these assets. Note 5 to the HRA financial statements provides a breakdown of the usage of the Major Repairs Reserve.

### Earmarked HRA Reserves

The authority holds a number of earmarked HRA reserves which are used to earmark resources for specific HRA purposes. Note 3 to the HRA financial statements provides a breakdown of HRA earmarked reserves.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

### 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 expenditure against which it can be applied and/or the financial year in which this can take place.

The following table shows an analysis of the movements included in Adjustment between Accounting Basis and Funding Basis under Regulations within the Movement in Reserves Statement:

2012/13	Movement in Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>						
Charges for depreciation and impairment of non current assets	(32,591)	0	0	(7,725)	0	40,316
Reversal of the previous year's revaluation losses / impairment losses	1,647	0	0	0	0	(1,647)
Revaluation losses on Property, Plant and Equipment	(17,507)	(4,926)	0	0	0	22,433
Movements in the fair value of Investment Properties	(1,785)	0	0	0	0	1,785
Amortisation of Intangible Assets	(886)	0	0	(71)	0	957
Capital grants and contributions applied	24,212	1,089	0	0	0	(25,301)
Income in relation to Donated Assets	156	0	0	0	0	(156)
Revenue expenditure funded from capital under statute	(4,565)	0	0	0	0	4,565
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(3,327)	(13,701)	0	0	0	17,028
HRA self financing settlement	0	0	0	0	0	0
Statutory provision for the financing of capital investment	8,216	0	0	0	0	(8,216)
Voluntary provision for the financing of capital investment	2,319	0	0	0	0	(2,319)
Capital expenditure charged against the General Fund and HRA balances	2,361	12,636	0	0	0	(14,997)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,244	14	0	0	(1,258)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	744	(744)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>						
Transfer of cash sale proceeds credited as part of the gain /loss on disposal to the Comprehensive Income and Expenditure Statement	2,913	8,729	(11,642)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	9,266	0	0	(9,266)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	(33)	33	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Housing Capital Receipts Pool	(880)	0	880	0	0	0
Transfer of improvement grant repayments to Capital Receipts Reserve	126	0	(126)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(14)	0	0	14

2012/13	Movement in Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(15)	0	0	0	0	15
<b>ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	0	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,796	0	(7,796)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	34	5	0	0	0	(39)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(20,217)	(856)	0	0	0	21,073
Employer's pension contributions and direct payments to pensioners payable in the year	21,817	846	0	0	0	(22,663)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,137	0	0	0	0	(1,137)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(66)	1	0	0	0	65
<b>Total Adjustments between accounting basis and funding basis under regulations</b>	<b>(15,657)</b>	<b>3,804</b>	<b>(1,603)</b>	<b>0</b>	<b>(514)</b>	<b>13,970</b>

2011/12 Comparative Figures	Movement in Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>						
Charges for depreciation and impairment of non current assets	(38,522)	7,525	0	(8,495)	0	39,492
Reversal of the previous year's revaluation losses / impairment losses	929	0	0	0	0	(929)
Revaluation losses on Property, Plant and Equipment	(4,276)	(2,842)	0	0	0	7,118
Movements in the fair value of Investment Properties	(2,086)	0	0	0	0	2,086
Amortisation of Intangible Assets	(916)	0	0	(54)	0	970
Capital grants and contributions applied	35,492	445	0	0	0	(35,937)
Income in relation to Donated Assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(6,488)	(65)	0	0	0	6,553
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(14,487)	(10,744)	0	0	0	25,231
HRA self financing settlement	0	(18,081)	0	0	0	18,081
Statutory provision for the financing of capital investment	23,617	0	0	0	0	(23,617)
Voluntary provision for the financing of capital investment	2,629	191	0	0	0	(2,820)
Capital expenditure charged against the General Fund and HRA balances	1,648	3,498	0	0	0	(5,146)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,507	0	0	0	(1,507)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	158	(158)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>						
Transfer of cash sale proceeds credited as part of the gain /loss on disposal to the Comprehensive Income and Expenditure Statement	2,022	6,774	(8,796)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	5,504	0	0	(5,504)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	(11)	11	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Housing Capital Receipts Pool	(1,148)	0	1,148	0	0	0
Transfer of improvement grant repayments to Capital Receipts Reserve	79	0	(79)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(7)	0	0	7

2011/12 Comparative Figures	Movement in Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	18	0	0	0	0	(18)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	9,587	0	0	0	(9,587)
Use of the Major Repairs Reserve to finance new capital expenditure	0	(8,549)	0	8,549	0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	42	293	0	0	0	(335)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(18,412)	(788)	0	0	0	19,200
Employer's pension contributions and direct payments to pensioners payable in the year	21,279	889	0	0	0	(22,168)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(530)	0	0	0	0	530
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	886	52	0	0	0	(938)
<b>Total Adjustments between accounting basis and funding basis under regulations</b>	<b>3,283</b>	<b>(11,826)</b>	<b>(2,219)</b>	<b>0</b>	<b>(1,349)</b>	<b>12,111</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustment for sheltered housing stock. Note 4 provides more detail.

## 10 Transfers to / from Earmarked Reserves

The following table shows an analysis of the amounts included in transfers to or from earmarked reserves within the Movement in Reserves Statement. 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 2012/13:

Transfers to / from Earmarked Reserves							
	Balance at 1 April 2011	Transfers From 2011/12	Transfers To 2011/12	Balance at 31 March 2012	Transfers From 2012/13	Transfers To 2012/13	Balance at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>EARMARKED GENERAL FUND RESERVES</b>							
Local Management of Schools (LMS) Reserve	(3,879)	0	(2,501)	(6,380)	0	(734)	(7,114)
Capital Reserves	(2,677)	2,745	(1,634)	(1,566)	352	(2,895)	(4,109)
DSG Capital Reserve	0	0	(1,500)	(1,500)	0	0	(1,500)
Departmental Carry Forwards	(1,588)	1,588	(4,224)	(4,224)	4,224	(3,140)	(3,140)
Insurance Reserves	(6,126)	73	(494)	(6,547)	1	(185)	(6,731)
Restructure Redundancy Reserve	(3,604)	410	(700)	(3,894)	1,910	0	(1,984)
PFI Reserves	(23,212)	15,502	(2,453)	(10,163)	6,039	(1,833)	(5,957)
Brighton Centre Redevelopment Reserve	(3,952)	861	(570)	(3,661)	40	(15)	(3,636)
Single Status Reserve	(5,748)	3,277	(2,425)	(4,896)	2,282	(1,023)	(3,637)
Customer Access and Accommodation Strategies Reserve	(1,500)	373	(1,500)	(2,627)	964	0	(1,663)
ASC Long Term Capacity Reserve	(553)	0	(200)	(753)	0	(918)	(1,671)
Revenue Grants Carry Forward	(3,164)	1,886	(887)	(2,165)	966	(850)	(2,049)
Other Earmarked Reserves	(11,915)	6,821	(3,272)	(8,366)	2,934	(2,232)	(7,664)
<b>Total</b>	<b>(67,918)</b>	<b>33,536</b>	<b>(22,360)</b>	<b>(56,742)</b>	<b>19,712</b>	<b>(13,825)</b>	<b>(50,855)</b>
<b>EARMARKED HRA RESERVES</b>							
Total Earmarked HRA Reserves	(2,498)	1,677	(119)	(940)	304	(1,983)	(2,619)
<b>Total</b>	<b>(2,498)</b>	<b>1,677</b>	<b>(119)</b>	<b>(940)</b>	<b>304</b>	<b>(1,983)</b>	<b>(2,619)</b>
<b>Total Earmarked Reserves</b>	<b>(70,416)</b>	<b>35,213</b>	<b>(22,479)</b>	<b>(57,682)</b>	<b>20,016</b>	<b>(15,808)</b>	<b>(53,474)</b>



## 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 individual school and are used to provide 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	2011/12	2012/13		
	Balance £'000	Unspent Balance £'000	Overspent Balance £'000	Balance £'000
Nursery Schools	(56)	(49)	1	(48)
Primary Schools	(3,664)	(3,012)	147	(2,865)
Secondary Schools	(2,173)	(3,403)	0	(3,403)
Special Schools	(487)	(798)	0	(798)
<b>Total</b>	<b>(6,380)</b>	<b>(7,262)</b>	<b>148</b>	<b>(7,114)</b>

## Other Usable Reserves

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

The DSG Capital reserve holds resources earmarked to support pupil places in primary schools.

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 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 delivery of the risk management strategy and to fund measures to address any operational hazards / risks identified.

The Restructure Redundancy reserve funds approved redundancy payments and associated severance and pension payments, which services normally repay to the reserve over five years. The reserve also receives contributions from services for the actuarial costs of early retirements.

The Private Finance Initiative (PFI) reserve relates to the schools, 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 Brighton Centre Redevelopment reserve holds set aside resources which will be used to contribute towards the redevelopment of the Brighton Centre.

The Single Status reserve holds set aside resources to meet future potential costs relating to pay and grading matters, which cannot be estimated with any certainty at the Balance Sheet date.

The Customer Access and Accommodation Strategies reserve holds resources earmarked to support the authority's work styles programme of office rationalisation and to support the creation of the new Public Service Network which is known as the Link.

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 Revenue Grants Carry Forward reserve holds revenue grants received by the authority that have no condition attached for which expenditure has not yet been incurred.

Details of the HRA Earmarked Reserves can be found in note 3 to the HRA financial statements.

## 11 Other Operating Expenditure

The following table shows an analysis of the amounts included in Other Operating Expenditure within the Comprehensive Income and Expenditure Statement:

Other Operating Expenditure		
	2011/12 £'000	2012/13 £'000
(Gains) / losses on the disposal of non current assets	16,397	5,405
Precepts and Levies	199	202
Payments to the government housing capital receipts pool	1,148	880
<b>Total Other Operating Expenditure</b>	<b>17,744</b>	<b>6,487</b>

The loss on the disposal of non current assets of £5.405m in 2012/13 includes a loss of £6.203m in respect of the net effect of council dwellings being transferred to Brighton & Hove Seaside Community Homes Ltd.

## 12 Financing and Investment Income and Expenditure

The following table shows an analysis of the amounts included in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement:

Financing and Investment Income and Expenditure		
	2011/12 £'000	2012/13 £'000
Interest payable and similar charges	16,023	16,593
Pensions interest cost and expected return on pensions assets	(2,267)	807
Interest receivable and similar income	(1,386)	(1,292)
Income and expenditure in relation to investment properties	(3,435)	(2,995)
Changes in the fair value of investment properties	2,086	1,785
<b>Total Financing and Investment Income and Expenditure</b>	<b>11,021</b>	<b>14,898</b>

## 13 Taxation and Non Specific Grant Income

The following table shows an analysis of the amounts included in Taxation and Non Specific Grant Income within the Comprehensive Income and Expenditure Statement:

Taxation and Non Specific Grant Income		
	2011/12 £'000	2012/13 £'000
Council tax income	(119,304)	(119,755)
Non domestic rates	(85,871)	(102,387)
Non ring fenced government grants	(56,394)	(32,756)
Capital grants and contributions	(33,639)	(24,194)
Donated assets	0	(156)
<b>Total Taxation and Non Specific Grant Income</b>	<b>(295,208)</b>	<b>(279,248)</b>

## 14 Grant Income 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.

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 its non ring fenced funding as it sees fit to support the delivery of local, regional and national priorities in the authority's area. Non ring fenced government grants are shown under taxation and non specific grant income within the Comprehensive Income and Expenditure Statement.

Ring fenced grants are revenue grants distributed by central government that relate to a specific service. Ring fenced grants are included in the appropriate cost of service within the Comprehensive Income and Expenditure Statement.

The following table shows the government revenue grants received by the authority and credited to the Comprehensive Income and Expenditure Statement:

Government Revenue Grants		
	2011/12	2012/13
	£'000	£'000
<b>Non Ring Fenced Government Grants credited to Taxation and Non Specific Grant Income</b>		
Department for Education	(11,115)	(11,638)
Communities and Local Government	(35,156)	(10,876)
Department for Work and Pensions	(3,279)	(2,999)
Department of Health	(6,564)	(6,741)
Home Office	(280)	(271)
Arts Council England	0	(231)
<b>Total</b>	<b>(56,394)</b>	<b>(32,756)</b>
<b>Ring Fenced Government Grants credited to Cost of Services</b>		
Department for Education	(156,473)	(159,093)
Communities and Local Government	(2,586)	(3,378)
Department for Work and Pensions	(186,712)	(184,936)
Department for Transport	(865)	(1,005)
Department of Health	(257)	(291)
Home Office	(376)	(371)
Department for Business, Innovation and Skills	(839)	(639)
Other Government Departments	(1,203)	(1,138)
<b>Total</b>	<b>(349,311)</b>	<b>(350,851)</b>
<b>Total Government Revenue Grants</b>	<b>(405,705)</b>	<b>(383,607)</b>

### Non Ring Fenced Grants

The significant non ring fenced grants received by the authority from Communities and Local Government are Revenue Support Grant (RSG) (£1.985m), the Council Tax Freeze Grant (£2.986m), PFI Grant (£3.003m) and Local Services Support Grant (£1.956m).

The RSG can be used by the authority to finance revenue expenditure on any service. It is one element of the formula grant distributed amongst all local authorities according to relative need as determined by formulae; the other element being redistributed business rates.

The Council Tax Freeze Grant is a grant allocated directly to all eligible local authorities by the Government who have taken the decision to either freeze or reduce their band D council tax in 2012/13.

The PFI Grant is in respect of local authority's PFI projects which have become operational.

The Local Services Support Grant is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. As non ring fenced funding, there are no terms and conditions attached to its payment and local authorities have the freedom to use it to meet their locally identified priorities.

The significant non ring fenced grant received by the authority from the Department for Education was the Early Intervention Grant (£11.138m) and that received from the Department of Health was the Learning Disability and Health Reform Grant (£6.741m).

The Early Intervention Grant (EIG) replaced a number of centrally directed grants to support services for children, young people and families. The EIG can support a full range of services for children, young people and families, which, subject to local decision making, may include: Sure Start children's centres, free early education places for disadvantaged two-year-olds, short breaks for disabled children, targeted support for vulnerable young people, targeted mental health in schools and targeted support for families with multiple problems.

The Learning Disability & Health Reform Grant reflects a transfer of responsibilities from the NHS to local authorities.

### Ring Fenced Grants

The significant ring fenced grants received by the authority from the Department for Education are Dedicated Schools Grant (£149.008m), Pupil Premium Grant (£4.586m) and funding for sixth forms (£4.787m).

Note 15 provides further details on the Dedicated Schools Grant.

The Pupil Premium Grant targets additional money at pupils from the most deprived background to help them achieve their full potential.

Funding for sixth forms 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 council tax and NNDR to reimburse the authority for rent allowances, rent rebates and council tax benefit (£183.898m).

### 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 Comprehensive Income and Expenditure Statement:

Non Government Revenue Grants and Contributions		
	2011/12	2012/13
	£'000	£'000
<b>Non Government Grants and Revenue Contributions credited to Cost of Services</b>		
Non Government Grants	(765)	(1,101)
Contributions from Health	(12,225)	(11,795)
Contributions from Other Agencies / External Bodies	(1,991)	(907)
Contributions from Other Local Authorities	(1,509)	(1,923)
Other Contributions, Donations and Sponsorship	(3,001)	(2,635)
Contributions from Stakeholders	(1,324)	(240)
Contributions from Developers	(471)	(160)
<b>Total Non Government Revenue Grants and Contributions</b>	<b>(21,286)</b>	<b>(18,761)</b>

### 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 or 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 expenditure. 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 Comprehensive Income and Expenditure Statement:

Capital Grants and Contributions		
	2011/12	2012/13
	£'000	£'000
<b>Capital Grants and Contributions credited to Taxation and Non Specific Grant Income</b>		
Department for Education	(24,597)	(10,872)
Communities and Local Government	(356)	(325)
Department for Transport	(6,897)	(7,803)
Department of Health	(486)	(387)
Other Government Departments	0	(241)
Heritage Lottery Fund	0	(432)
Contributions from Developers - section 106	(1,081)	(433)
Contributions from Stakeholders	0	(3,569)
Other Contributions	(222)	(132)
Donated Assets	0	(156)
<b>Total</b>	<b>(33,639)</b>	<b>(24,350)</b>
<b>Capital Grants and Contributions credited to Cost of Services</b>		
Department for Education	(65)	(795)
Communities and Local Government	(3,341)	(981)
Department of Health	(284)	(315)
Department of Energy & Climate Change	0	(264)
Department for Transport	(115)	0
Other Contributions	(47)	(58)
<b>Total</b>	<b>(3,852)</b>	<b>(2,413)</b>
<b>Total Capital Grants and Contributions</b>	<b>(37,491)</b>	<b>(26,763)</b>

## 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 or property to be returned to the giver if the conditions are not met. The balances at the 31 March are as follows:

Capital Grants and Contributions with Conditions attached		
	2011/12	2012/13
	£'000	£'000
<b>Grants and Contributions Held under Capital Grants Receipts in Advance</b>		
Department for Education	(4,510)	(11,205)
Communities and Local Government	(1,779)	(1,756)
Contributions from Developers - section 106	(1,589)	(2,189)
Other Government Departments	17	(35)
South East England Development Agency	824	0
Department for Transport	734	(1,735)
Department of Energy & Climate Change	0	(235)
Contributions from Stakeholders	0	(1,374)
Other Contributions	0	(29)
<b>Total Grants and Contributions with Conditions</b>	<b>(6,303)</b>	<b>(18,558)</b>

## 15 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 for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. The following table shows details of the deployment of the DSG received:

Dedicated Schools Grant			
2012/13	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG for 2012/13 before academy recoupment	(15,571)	(141,634)	(157,205)
Less academy figure recouped for 2012/13	134	8,063	8,197
<b>Total DSG after academy recoupment for 2012/13</b>	<b>(15,437)</b>	<b>(133,571)</b>	<b>(149,008)</b>
Brought forward from 2011/12	(1,168)	0	(1,168)
<b>Agreed initial budgeted distribution in 2012/13</b>	<b>(16,605)</b>	<b>(133,571)</b>	<b>(150,176)</b>
In year budget adjustments	(395)	395	0
<b>Final budget distribution for 2012/13</b>	<b>(17,000)</b>	<b>(133,176)</b>	<b>(150,176)</b>
Less actual central expenditure	15,911	0	15,911
Less actual ISB deployed to schools	0	133,176	133,176
<b>Carry forward to 2013/14</b>	<b>(1,089)</b>	<b>0</b>	<b>(1,089)</b>

The in year budget adjustments of £0.395m between Central Expenditure and the ISB relate to transfers to and from schools in relation to funding additional forms of entry, early years termly adjustments and clawback of funding.

Dedicated Schools Grant			
2011/12 Comparative Figures	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG	(15,255)	(133,100)	(148,355)
Brought forward	(1,649)	0	(1,649)
<b>Agreed budgeted distribution for 2011/12</b>	<b>(16,904)</b>	<b>(133,100)</b>	<b>(150,004)</b>
In year budget adjustments	1,606	(6)	1,600
<b>Revised budgeted distribution for 2011/12</b>	<b>(15,298)</b>	<b>(133,106)</b>	<b>(148,404)</b>
Less actual central expenditure	14,696	0	14,696
Less actual ISB deployed to schools	0	133,106	133,106
Plus local authority contribution	(566)	0	(566)
<b>Carry forward to 2012/13</b>	<b>(1,168)</b>	<b>0</b>	<b>(1,168)</b>

## 16 Property, Plant and Equipment

The authority categorises its operational property, plant and equipment into a number of sub categories, namely council dwellings, other land and buildings, vehicles, plant, furniture and equipment, infrastructure assets and community assets. There are two categories of non operational property, plant and equipment, namely assets under construction and surplus assets. 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 fair value over the year for each sub category of property, plant and equipment:

2012/13	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
<b>Balance at 1 April 2012</b>								
Gross carrying amount	538,062	1,199,121	39,794	151,224	7,824	3,391	10,904	1,950,320
Accumulated depreciation	(8,202)	(55,322)	(23,803)	(53,384)	0	0	(395)	(141,106)
<b>Net Carrying Amount at 1 April 2012</b>	<b>529,860</b>	<b>1,143,799</b>	<b>15,991</b>	<b>97,840</b>	<b>7,824</b>	<b>3,391</b>	<b>10,509</b>	<b>1,809,214</b>
<b>Capital Additions</b>								
Additions	26,807	15,291	3,727	8,637	101	8,919	0	63,482
<b>Asset Disposals</b>								
Derecognition - disposals	(13,902)	(2,948)	(993)	0	0	0	0	(17,843)
Derecognition - disposals (depreciation)	201	192	909	0	0	0	0	1,302
<b>Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement recognised in the Revaluation Reserve</b>								
Revaluation increases	0	38,610	0	0	0	0	0	38,610
Revaluation of disposed assets	0	0	0	0	0	0	0	0
Depreciation written out	0	111	0	0	0	0	0	111
Revaluation (losses) / reversals	0	(12,242)	0	0	0	0	0	(12,242)
Impairment (losses) / reversals	0	0	0	0	0	0	0	0
<b>Depreciation and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement</b>								
Revaluation increases	0	0	0	0	0	0	0	0
Depreciation charge	(7,439)	(22,337)	(2,732)	(7,413)	0	0	(395)	(40,316)
Revaluation (losses) / reversals	(4,926)	(17,411)	0	0	0	(96)	0	(22,433)
Impairment (losses) / reversals	0	1,647	0	0	0	0	0	1,647
<b>Other Transactions</b>								
Assets reclassified (to) / from Assets Held for Sale, Investment Property and Heritage Assets	0	(502)	0	0	0	0	0	(502)
Assets reclassified within Property, Plant and Equipment	(1,004)	6	0	367	0	631	0	0
Other movements in gross carrying amount	0	(2,947)	0	0	0	0	0	(2,947)
Other movements in depreciation	0	2,953	0	0	0	0	0	2,953
<b>Net Carrying Amount at 31 March 2013</b>	<b>529,597</b>	<b>1,144,222</b>	<b>16,902</b>	<b>99,431</b>	<b>7,925</b>	<b>12,845</b>	<b>10,114</b>	<b>1,821,036</b>
<b>Comprising</b>								
Gross carrying amount	537,036	1,206,995	42,527	160,227	7,925	12,845	10,904	1,978,459
Accumulated depreciation	(7,439)	(62,773)	(25,625)	(60,796)	0	0	(790)	(157,423)
<b>Net Carrying Amount at 31 March 2013</b>	<b>529,597</b>	<b>1,144,222</b>	<b>16,902</b>	<b>99,431</b>	<b>7,925</b>	<b>12,845</b>	<b>10,114</b>	<b>1,821,036</b>

2011/12 Comparative Figures	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
<b>Balance at 1 April 2011</b>								
Gross carrying amount	528,893	1,090,275	34,785	146,239	7,824	17,007	27,826	1,852,849
Accumulated depreciation	(8,174)	(49,093)	(21,514)	(46,216)	0	0	(549)	(125,546)
<b>Net Carrying Amount at 1 April 2011</b>	<b>520,719</b>	<b>1,041,182</b>	<b>13,271</b>	<b>100,023</b>	<b>7,824</b>	<b>17,007</b>	<b>27,277</b>	<b>1,727,303</b>
<b>Capital Additions</b>								
Additions	23,138	77,672	5,273	4,927	26	1,237	0	112,273
<b>Asset Disposals</b>								
Derecognition - disposals	(10,744)	(14,672)	(274)	0	0	0	0	(25,690)
Derecognition - disposals (depreciation)	0	1,924	176	0	0	0	0	2,100
<b>Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement recognised in the Revaluation Reserve</b>								
Revaluation increases	0	49,295	0	0	0	0	0	49,295
Revaluation of disposed assets	144	0	0	0	0	0	0	144
Depreciation written out	0	113	0	0	0	0	0	113
Revaluation (losses) / reversals	0	(5)	0	0	0	0	0	(5)
Impairment (losses) / reversals	0	(7,770)	0	0	0	0	0	(7,770)
<b>Depreciation and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement</b>								
Depreciation charge	(8,202)	(22,012)	(2,469)	(7,166)	0	0	0	(39,849)
Revaluation (losses) / reversals	5,228	(4,216)	0	0	0	0	0	1,012
Impairment (losses) / reversals	(423)	(6,285)	0	0	(26)	0	0	(6,734)
<b>Other Transactions</b>								
Assets reclassified (to) / from Assets Held for Sale, Investment Property and Heritage Assets	0	(2,943)	0	0	0	0	0	(2,943)
Assets reclassified within Property, Plant and Equipment	0	31,550	14	57	0	(14,853)	(16,768)	0
Other movements in gross carrying amount	0	(34)	0	(1)	0	0	0	(35)
Other movements in depreciation	0	0	0	0	0	0	0	0
<b>Net Carrying Amount at 31 March 2012</b>	<b>529,860</b>	<b>1,143,799</b>	<b>15,991</b>	<b>97,840</b>	<b>7,824</b>	<b>3,391</b>	<b>10,509</b>	<b>1,809,214</b>
<b>Comprising</b>								
Gross carrying amount	538,062	1,199,121	39,794	151,224	7,824	3,391	10,904	1,950,320
Accumulated depreciation	(8,202)	(55,322)	(23,803)	(53,384)	0	0	(395)	(141,106)
<b>Net Carrying Amount at 31 March 2012</b>	<b>529,860</b>	<b>1,143,799</b>	<b>15,991</b>	<b>97,840</b>	<b>7,824</b>	<b>3,391</b>	<b>10,509</b>	<b>1,809,214</b>

Please note the comparative figures for council dwellings in the above table have been restated to reflect the prior period adjustment for sheltered housing stock. Note 4 provides more detail.



## Measurement Bases

The authority uses the following measurement bases for determining the gross carrying amount of property, plant and equipment assets:

- Community assets and assets under construction (excluding investment property assets under construction) are measured at historical cost;
- Infrastructure assets and vehicles, plant, furniture and equipment are measured at depreciated historical cost;
- All other classes of asset are measured at fair value; for land and buildings fair value is interpreted as the amount that would be paid for the asset in its existing use. 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 fair value using a Depreciated Replacement Cost (DRC) approach. The fair value of council dwellings is measured using Existing Use Value – Social Housing (EUV-SH).

## Valuations

The authority carries out a rolling programme for its non housing stock assets that ensures that all property, plant and equipment required to be measured at fair value is 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 authority requires that all valuers are RICS qualified.

Land and building valuations are based upon valuation certificates issued by the authority's valuers. The valuations were 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).

Additional expenditure on land and buildings is included at its cost and is subject to revaluation. Fixed plant and machinery, such as lifts and central heating, is in most cases included in the valuation of buildings. Vehicles, plant, furniture and equipment, infrastructure assets, community assets and assets under construction are held at historic cost and no revaluation of these categories of asset takes place. 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 valuation of the authority's housing stock as at 1 April 2012 was carried out by Wilks, Head & Eve. The authority's housing stock and garages and car parking spaces were revalued at 1 April 2012.

The following table shows the progress of the authority's rolling programme for the revaluation of property, plant and equipment:

Rolling Programme for the Revaluation of Property, Plant and Equipment								
	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Valued at historical cost	0	0	16,902	99,431	7,925	12,845	0	137,103
Valued at fair value during the year ending:								
31 March 2013	502,790	280,294	0	0	0	0	0	783,084
31 March 2012	0	267,590	0	0	0	0	10,114	277,704
31 March 2011	0	293,312	0	0	0	0	0	293,312
31 March 2010	0	159,465	0	0	0	0	0	159,465
31 March 2009	0	137,597	0	0	0	0	0	137,597
Capital Expenditure	26,807	5,964	0	0	0	0	0	32,771
<b>Total</b>	<b>529,597</b>	<b>1,144,222</b>	<b>16,902</b>	<b>99,431</b>	<b>7,925</b>	<b>12,845</b>	<b>10,114</b>	<b>1,821,036</b>

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

## Depreciation Methods

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

## Useful Lives

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

## Impairment and Revaluation Losses

As part of the annual inspection and ongoing management of the authority's property portfolio, attention is paid to the impact of obsolescence, physical damage and changes of use which could affect asset values. There were no significant impairment losses during the reporting period.

The authority has recognised significant revaluation losses classified under property, plant and equipment of:

- £12.493m in respect of the waste PFI assets which was charged fully to the Comprehensive Income and Expenditure Statement.
- £4.351m in respect of the Moulsecoomb Hub which has a multi functional use; £3.458m was charged to the revaluation reserve and £0.893m was charged to the Comprehensive Income and Expenditure Statement.
- £3.247m in respect of the authority's schools; £2.316m was charged to the revaluation reserve and £0.931m was charged to the Comprehensive Income and Expenditure Statement.

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. The approaches used to determine their value in use are as per the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

During 2012/13, the authority's valuers, Wilks Head and Eve, carried out a valuation of council dwellings as at 1 April 2012 which showed a reduction in the value of council dwellings resulting in a revaluation loss of £11.142m. The revaluation loss has been charged to the HRA Income and Expenditure Statement.

The revaluation losses charged to the HRA Income and Expenditure Statement also included £8.001m of accumulated depreciation on housing stock and other non current assets that has been reversed as part of the revaluation undertaken in 2011/12.

## Contractual Commitments

At 31 March 2013, the authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment budgeted to cost £82.011m. Similar commitments at 31 March 2012 were £98.166m. The following table shows the significant contractual commitments for property, plant and equipment that existed at the Balance Sheet date together with other non contractual commitments in respect of property, plant and equipment that are included in the authority's capital investment programme:

Commitments in respect of Property, Plant and Equipment				
Scheme Name	Description	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>Council Dwellings</b>				
Housing Stock Programme	New build / enhancement of council dwellings	34,544	27,759	21,262
<b>Other Land and Buildings</b>				
New Pupil Places	Investment in schools to meet the growth in new pupil places	9,953	7,630	2,500
Support for Major Projects	Investment to deliver major projects through legal, financial, design, architectural, transport and engineering specialist support	632	0	0
i360 Project	Commercial visitor attraction	4,336	13,457	0
Brighton & Hove Seaside Community Homes Post Lease Refurbishment	Enhancement of transferred properties	1,392	1,869	1,664
HCA Empty Homes	Bringing empty homes back into use	405	495	0
Disabled Facilities Grant	Enhancements to buildings for disabled facilities	882	700	700
The Level - Heritage Lottery	Enhancement and restoration of the Level	1,531	0	0
Workstyles Phase Two	Improvements to operational buildings	917	33	0
Asset Management Fund & Strategic Investment Fund	The Asset Management Fund supports property improvements. The Strategic Investment Fund provides support to major projects across the authority	550	1,250	1,250
Historical Records Centre (The Keep)	Development of a new historical resource centre for East Sussex CC and Brighton & Hove CC	390	190	0
Planned Maintenance to Operational Buildings	Improvements to civic offices, historic, operational and commercial buildings	755	500	500
Social Services Buildings	Enhancement of buildings within Social Services	500	500	500
Capital Maintenance	Formula funding to support the needs of the schools and children's centres that the authority maintains	2,708	2,517	2,300
Devolved Formula Capital	Supports the capital needs of school buildings	500	500	500
Structural Maintenance	Enhancements to structures in schools and educational establishments	920	920	920
Withdean	Construction and improvements to the Withdean Sports Complex	2,805	0	0
Hollingdean Depot	Various works to the Hollingdean Depot	875	200	0
Adult Social Care Accommodation and Developments	Various works to Adult Social Care Accommodation including major works to Craven Vale	1,898	1,441	600
<b>Vehicles, Plant, Furniture and Equipment</b>				
Woodvale Cremators for Mercury Abatement	New cremators	1,746	0	0
Replacement of Vehicles	Purchase of waste, parks and education vehicles	2,521	1,000	700
<b>Infrastructure Assets</b>				
Local Transport Plan	Strategic planning and delivery of transport initiatives	6,349	7,479	7,000
Highways Maintenance	Works on various highways within Brighton & Hove	594	325	0
Better Bus Area Fund	Upgrade of services and bus stop infrastructure within Brighton & Hove	1,750	0	0
Local Sustainable Transport Fund	Integration of various transport schemes throughout the city	760	100	0

## 17 Heritage Assets

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. Properties held by the authority which are classified as heritage assets in 2012/13 are:

- The Royal Pavilion;
- The Volks Railway;
- West Blatchington Windmill;
- Rottingdean Windmill.

The authority also holds a range of non property assets which are also classified as heritage assets; these being historic motor vehicles, museum and gallery collections and works of art and rare books.

The following table shows the carrying values of heritage assets held by the authority at the beginning and end of the reporting period and summarises the movement in the values over the year:

Heritage Assets Held by the Authority							
2012/13	Royal Pavilion	Volks Railway	West Blatchington Windmill	Rottingdean Windmill	Collections	Rare Books	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carrying amount as at 1 April 2012	164,410	1,698	827	437	31,426	5,000	203,798
Additions	64	7	0	0	156	0	227
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement recognised in the Revaluation Reserve							
Revaluation increases	4,932	361	25	13	1,327	250	6,908
Revaluation (losses) / reversals	0	(100)	0	0	0	0	(100)
Other Adjustments							
Other Changes	0	(26)	0	0	0	0	(26)
Carrying Amount at 31 March 2013	169,406	1,940	852	450	32,909	5,250	210,807

Heritage Assets Held by the Authority							
2011/12 Comparative Figures	Royal Pavilion	Volks Railway	West Blatchington Windmill	Rottingdean Windmill	Collections	Rare Books	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carrying amount as at 1 April 2011	159,780	1,770	803	424	31,280	5,000	199,057
Additions	0	6	0	0	219	0	225
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement recognised in the Revaluation Reserve							
Revaluation increases	4,630	0	24	13	281	0	4,948
Revaluation (losses) / reversals	0	(78)	0	0	(354)	0	(432)
Carrying Amount at 31 March 2012	164,410	1,698	827	437	31,426	5,000	203,798

Please note the comparative figures for rare books and the Royal Pavilion in the above table have been restated to reflect the prior period adjustment. Note 4 provides more detail.

### 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 I 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 in-house 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 19<sup>th</sup> 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. It was beautifully illustrated by John Constable in a watercolour dated 5th November 1825. 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 is currently 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.

## Valuations

The valuations for the property assets are based on insurance valuations (building element only). The assets are insured by Zurich Insurance Ltd and are based on a 1 April valuation date.

The valuation of the Volks Railway land forms part of the authority's rolling programme for valuation of its non housing stock assets. The valuation is carried out by the authority's internal valuers. The valuation of the buildings of the Volks Railway also forms part of the authority's rolling programme; however, the valuation is uplifted in line with the authority's insurer's recommendations. The authority requires its valuers to be RICS qualified. More detail on valuations and their measurement can be found in note 16.

The valuation for the rare books was conducted in the years leading up to the move to the Jubilee Library in 2005 by an antiquarian bookseller from Lewes who is also a former President of the Antiquarian Booksellers Association. The insurance valuations were retendered in April 2013 and will be reflected in the 2013/14 financial statements.

The valuation for the collections was compiled in 2008 by a former officer of the authority, the keeper of the Royal Pavilion at the time, with external professional advice and additional research by curators via auction catalogues and other means to establish market values. The methodology for updating these valuations is currently under review. The insurance valuations were retendered in April 2013 and will be reflected in the 2013/14 financial statements.

## Summary of Transactions

The Code requires disclosure of a summary of transactions relating to heritage assets for the reporting period and the previous four reporting periods; however, it is impracticable for the authority to obtain the information prior to the 1 April 2010. The following table therefore shows a summary of the transactions on heritage assets over the last two years:

Summary of Transactions on Heritage Assets			
	2010/11	2011/12	2012/13
	£'000	£'000	£'000
<b>Cost of Acquisitions</b>			
Royal Pavilion	159	0	64
Collections	0	219	0
Volks Railway	21	6	7
<b>Total Cost of Acquisitions</b>	<b>180</b>	<b>225</b>	<b>71</b>
<b>Value of Assets acquired by Donation</b>			
Collections	0	0	156
<b>Total Value of Assets Acquired by Donation</b>	<b>0</b>	<b>0</b>	<b>156</b>
<b>Total Carrying Amount of Assets Disposed</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Proceeds Received for Assets Disposed</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Impairments Recognised</b>	<b>0</b>	<b>0</b>	<b>0</b>

In 2012/13, there was £0.064m of capital works carried out on the preservation of the Royal Pavilion. In addition, there was also £0.007m of capital expenditure on the Volks Railway.

In 2012/13, the authority acquired eight artworks by the Camden Town Group. The works were given to the authority through the Arts Council England under section 9 (2) National Heritage Act (HM Government in lieu of inheritance tax).

The authority also purchased a number of other items for their collection and received a number of donated items in 2012/13; however, these have not been brought on to the Balance Sheet as they are below the authority's deminimis level.

No disposal or impairment transactions have been made in the reporting period.

## Depreciation

There is no depreciation charged on heritage assets as the authority considers that the heritage assets held have indeterminate lives and a high residual value; hence the authority does not consider it appropriate to charge depreciation for these assets.

## 18 Investment Property

The following table shows the carrying amounts of investment property at the beginning and end of the reporting period and summarises the movement in the fair value of investment properties over the year:

Investment Property Carrying Amounts	
2012/13	Total £'000
Carrying Amount as at 1 April 2012	44,674
Additions resulting from subsequent expenditure	10
Net gains / (losses) from fair value adjustments	(1,788)
Transfers (to) / from Property Plant and Equipment	502
<b>Carrying Amount as at 31 March 2013</b>	<b>43,398</b>

Investment Property Carrying Amounts	
2011/12 Comparative Figures	Total £'000
Carrying Amount as at 1 April 2011	44,156
Additions resulting from subsequent expenditure	0
Net gains / (losses) from fair value adjustments	(2,086)
Transfers (to) / from Property Plant and Equipment	2,604
<b>Carrying Amount as at 31 March 2012</b>	<b>44,674</b>

Note: The authority does not hold any investment property under construction.

## Measurement Bases

The authority measures investment property at fair value; interpreted as the amount that would be paid for the asset in its highest and best use (i.e. market value). An investment property under construction is measured at fair value once the authority is able to measure reliably the fair value of the investment property and at cost before that date.

## Valuations

Investment property valuations have been carried out by the authority's internal valuers, and by Cluttons and Smiths Gore, independent property managing companies. The authority requires that all valuers are RICS qualified. The following table shows the progress of the authority's rolling programme for the revaluation of investment property:

Rolling Programme for the Revaluation of Investment Property	
	Total £'000
Valued at historical cost	0
Valued at fair value during the year ending:	
31 March 2013	43,398
31 March 2012	0
31 March 2011	0
31 March 2010	0
31 March 2009	0
Capital Expenditure	0
<b>Total Carrying Amount as at 31 March 2013</b>	<b>43,398</b>

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



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.

### Contractual Commitments

The authority has no contractual commitments to purchase, construct or develop investment property or for repairs, maintenance or enhancement in respect of investment property.

### 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 following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Income and Expenses in respect of Investment Property		
	2011/12 £'000	2012/13 £'000
Rental income	(3,474)	(2,995)
Direct operating expenses (including repairs and maintenance)	39	0
<b>Total</b>	<b>(3,435)</b>	<b>(2,995)</b>

## 19 Assets Held for Sale

The following table shows the carrying amounts of assets held for sale at the beginning and end of the reporting period and movement during the year:

Assets Held for Sale Carrying Amounts				
	Non Current		Current	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
<b>Carrying Amount as at 1 April</b>	<b>1,398</b>	<b>0</b>	<b>1,900</b>	<b>1,838</b>
<b>Assets newly classified as held for sale:</b>				
• Property, Plant and Equipment	0	0	331	0
<b>Other Movements</b>				
Revaluation losses	0	0	(150)	(141)
Assets sold	0	0	(1,641)	(487)
Transfers from non current to current	(1,398)	0	1,398	0
Other Changes	0	0	0	1
<b>Carrying Amount as at 31 March</b>	<b>0</b>	<b>0</b>	<b>1,838</b>	<b>1,211</b>

Immediately before the initial classification of an asset as held for sale, the authority measures the carrying amount of the asset in accordance with its accounting policies.

## 20 Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The authority does not hold any internally generated software. The following table shows the carrying amounts of intangible assets at the beginning and end of the reporting period and the movement during the year:

Intangible Assets Carrying Amounts		
	2011/12	2012/13
	Total £'000	Total £'000
<b>Balance at 1 April</b>		
Gross carrying amount	7,872	8,405
Accumulated amortisation	(4,667)	(5,637)
<b>Net Carrying Amount at 1 April</b>	<b>3,205</b>	<b>2,768</b>
Additions	533	1,136
Amortisation for the period	(970)	(957)
<b>Net Carrying Amount at 31 March</b>	<b>2,768</b>	<b>2,947</b>
<b>Comprising:</b>		
Gross carrying amount	8,405	9,542
Accumulated amortisation	(5,637)	(6,595)
<b>Net Carrying Amount at 31 March</b>	<b>2,768</b>	<b>2,947</b>

## Measurement Bases

The authority measures intangible assets at cost.

## Useful Lives

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority. The useful lives applied are between three and ten years depending on the nature of the intangible asset.

## Amortisation

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation methods for intangible assets are the same as those used for the depreciation of the property, plant and equipment detailed in note 16. The amortisation of £0.957m was charged to the appropriate cost of service in the Comprehensive Income and Expenditure Statement in 2012/13.

## Contractual Commitments

At 31 March 2013, the authority had entered into contractual commitments of £1.551m in respect of intangible assets. The following table shows the significant contractual commitments for the acquisition of intangible assets that existed at the Balance Sheet date together with other non contractual commitments in respect of intangible assets that are included in the authority's capital investment programme:

Commitments in respect of Intangible Assets				
Scheme Name	Description	2013/14 £'000	2014/15 £'000	2015/16 £'000
Human Resources system	Human Resources system	165	0	0
HRA Systems	Housing Management and Customer Online system	203	0	0
ICT Fund	Investment in the strategic planning of ICT	1,000	2,000	2,000

## Intangible Assets acquired by way of a Government Grant

In 2012/13, the authority received grant funding of £0.187m to fund the acquisition of intangible assets in respect of ICT infrastructure systems. The acquired asset's carrying value is measured at cost.

## 21 Capital Expenditure and Capital Financing

The authority incurred £69.265m of capital expenditure in 2012/13. The table below shows the total amount of capital expenditure incurred analysed for each category of non current asset together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the

capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of the table:

<b>Capital Expenditure and Capital Financing</b>		
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Capital Financing Requirement</b>	<b>294,502</b>	<b>344,449</b>
<b>Capital Investment</b>		
• Property, Plant and Equipment	112,273	63,482
• Heritage Assets	225	71
• Intangible Assets	533	1,136
• Investment Property	0	10
• Assets Held for Sale	0	1
• Revenue Expenditure Funded from Capital under Statute	6,553	4,565
	<b>119,584</b>	<b>69,265</b>
<b>HRA Self Financing Settlement</b>	<b>18,081</b>	<b>0</b>
<b>Sources of Finance</b>		
• Capital receipts	(5,498)	(9,266)
• Government grants	(35,065)	(24,663)
• Other contributions	(1,030)	(1,436)
• Major Repairs Allowance (HRA)	(9,587)	0
• Major Repairs Reserve (HRA)	0	(7,796)
• Reserves	(4,955)	(924)
• HRA balance	0	(2,270)
• Revenue contributions	(5,146)	(14,997)
• Revenue provision for repayment of loans (MRP)	(26,437)	(10,535)
	<b>(87,718)</b>	<b>(71,887)</b>
<b>Closing Capital Financing Requirement</b>	<b>344,449</b>	<b>341,827</b>
<b>Explanation of Movements in Capital Financing Requirement</b>		
Increase in underlying need to borrow (supported by government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by government financial assistance)	9,822	7,913
Assets acquired under PFI contracts	48,475	0
HRA Debt Settlement re Self Financing of HRA	18,081	0
Repayment of loans (MRP)	(26,437)	(10,535)
<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>49,941</b>	<b>(2,622)</b>
<b>The Capital Financing Requirements reflects the following Balance Sheet Items:</b>		
Non Current Assets *	2,062,292	2,079,399
Long Term Debtors	470	417
Capital Adjustment Account	(1,189,778)	(1,182,608)
Revaluation Reserve	(528,535)	(555,381)
<b>Total</b>	<b>344,449</b>	<b>341,827</b>

\* Please note the "Non Current Assets" line in the above table includes current assets held for sale.

Please note the comparative figures for non current assets, capital adjustment account and revaluation reserve in the above table have been restated to reflect the prior period adjustments for sheltered housing stock, rare books and the Royal Pavilion. Note 4 provides more detail.

### Minimum Revenue Provision

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 financial year. The following statement was approved by Budget Council on 23 February 2012 and relates to the 2012/13 reporting period:

- For debt where the government provides revenue support the authority will set aside a sum of 4% of the notional debt relating to capital investment, but excluding capital investment on the HRA housing stock (known as the non-HRA capital financing requirement);
- For debt where the government provides no revenue support:
  - where the debt relates to an asset the authority will set aside a sum equivalent to repaying debt over the life of that asset either in equal annual instalments or on an annuity basis, the method determined by that most financially beneficial to the authority over the life of the asset, or
  - where the debt relates to expenditure which is subject to a capitalisation direction issued by the Government the authority will set aside a sum equivalent to repaying debt over a period consistent with the nature of the expenditure under the annuity basis.
- In the case of finance leases and on-balance sheet PFI contracts, the MRP requirement will be regarded as met by a charge equal to the element of the lease payment or unitary charge that is applied to write down the Balance Sheet liability in the year.

The following table shows the amount set aside from revenue:

<b>Minimum Revenue Provision</b>		
	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
General Fund – ‘supported debt’ : i.e. 4% of notional debt relating to capital investment	6,784	6,596
General Fund – ‘unsupported debt’ : i.e. repayment over life of asset	2,629	2,319
Housing Revenue Account - ‘unsupported debt’ : i.e. repayment over life of asset	191	0
General Fund – charge equal to write down on PFI liabilities	16,833	1,620
<b>Total Amount Set Aside from Revenue</b>	<b>26,437</b>	<b>10,535</b>

## 22 Leases and Lease Type Arrangements

The authority classifies leases as either finance leases (i.e. a lease that transfers substantially all the risks and rewards incidental to ownership of an asset) or operating leases (i.e. a lease other than a finance lease).

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.

### Authority as Lessee – Finance Leases

The authority, as lessee, 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 assets form part of the overall disclosure of non current assets.

The authority has acquired a number of properties under finance leases which are used by the authority for office space 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 are carried as property, plant and equipment in the Balance Sheet categorised as other land and buildings. The following table shows the net carrying amounts for these assets:

<b>Carrying Amounts for Assets acquired under a Finance Lease</b>		
	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
<b>Property, Plant and Equipment:</b>		
Other Land and Buildings	19,732	19,023
Vehicles, Plant and Equipment	0	0
<b>Net Carrying Amount as at 31 March</b>	<b>19,732</b>	<b>19,023</b>

Please note the comparative figures in the above table have been updated from that published in the 2011/12 accounts to reflect more up to date information that was not available at the time that the 2011/12 accounts were prepared.

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.

In relation to one lease classified as other land and buildings, the authority is committed to making future minimum payments under this lease comprising settlement of the long term liability for the interest in the property acquired by the authority and finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are immaterial and therefore the authority has chosen not to account for this as a liability in its accounts.

### Authority as Lessee – Operating Leases

The authority, as lessee recognises lease payments under an operating lease as an expense.

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 space and providing educational and social care services. The terms of the leases typically range from one to 25 years.

The authority uses of a number of vehicles under an operating lease, providing different services within the authority; 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.

The authority has identified a number of assets, under lease type arrangements which are classified as operating leases. These lease type arrangements provide the authority with equipment and property which the authority uses to provide its services. The useful life is set at ten years for leased equipment and at 50 years for leased property. The following table shows the future minimum lease payments due under non cancellable operating leases in future years:

Future Minimum Lease Payments under Operating Leases			
	1 April 2011	31 March 2012	31 March 2013
	£'000	£'000	£'000
Not later than one year	8,348	11,440	13,020
Later than one year and not later than five years	12,943	18,900	13,950
Later than five years	3,837	4,380	4,210
<b>Total Future Minimum Lease Payments</b>	<b>25,128</b>	<b>34,720</b>	<b>31,180</b>

Please note the comparative figures in the above table have been updated from that published in the 2011/12 accounts to reflect more up to date information that was not available at the time that the 2011/12 accounts were prepared.

The expenditure charged to the relevant cost of services in the Comprehensive Income and Expenditure Statement in 2012/13 in relation to these lessee operating leases was £13.027m (£11.437m in 2011/12).

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.

### Authority as Lessor - Finance Leases

The authority, as lessor, recognises assets held under a finance lease as a receivable at an amount equal to the net investment in the lease.

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.

The authority has two new finance leases which have commenced in the reporting period. In respect of these leases, the authority received premium payments and the rentals have been set at a peppercorn level. In addition, the authority has new finance leases in respect of the transfer of dwellings to the housing local delivery vehicle company where the authority received a capital receipt and the rentals have also been set at a

peppercorn level. Therefore, in respect of all these leases, there is no finance lease debtor at the end of 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:

<b>Gross Investment in Finance Leases</b>			
	<b>1 April 2011</b>	<b>31 March 2012</b>	<b>31 March 2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Finance Lease Debtor (net present value of minimum lease payments):			
• Current	14	14	15
• Non current	6,071	6,057	6,041
Unearned finance income	31,318	31,036	30,593
<b>Total Gross Investment in the Leases</b>	<b>37,403</b>	<b>37,107</b>	<b>36,649</b>

Please note the comparative figures in the above table have been updated from that published in the 2011/12 accounts to reflect more up to date information that was not available at the time that the 2011/12 accounts were prepared.

As the current debtor for finance leases is not material, the authority has accounted for the whole finance lease debtor as a long term asset.

The gross investment in the lease and the minimum lease payments will be received over the following periods:

<b>Gross Investment in Finance Leases and Minimum Lease Payments under Finance Leases</b>						
	<b>Gross Investment in the Lease</b>			<b>Present Value of Minimum Lease Payments</b>		
	<b>1 April 2011</b>	<b>31 March 2012</b>	<b>31 March 2013</b>	<b>1 April 2011</b>	<b>31 March 2012</b>	<b>31 March 2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	462	462	462	14	14	15
Later than one year and not later than five years	2,286	2,274	2,262	65	50	41
Later than five years	34,655	34,371	33,925	6,006	6,007	6,000
<b>Total</b>	<b>37,403</b>	<b>37,107</b>	<b>36,649</b>	<b>6,085</b>	<b>6,071</b>	<b>6,056</b>

Please note the comparative figures in the above table have been updated from that published in the 2011/12 accounts to reflect more up to date information that was not available at the time that the 2011/12 accounts were prepared.

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.

### **Authority as Lessor – Operating Leases**

The authority, as lessor, recognises assets subject to operating leases in its balance sheet as non current assets and categorises them according to the nature of the asset. Costs incurred in earning the lease income are recognised as an expense.

The authority has leased out a number of its properties and its land under an operating lease, these properties 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 future minimum lease payments receivable under non cancellable operating leases in future years are:

Future Minimum Lease Payments under Operating Leases			
	1 April 2011	31 March 2012	31 March 2013
	£'000	£'000	£'000
Not later than one year	8,098	8,990	9,040
Later than one year and not later than five years	24,272	24,340	21,080
Later than five years	113,377	114,800	110,890
<b>Total Future Minimum Lease Payments</b>	<b>145,747</b>	<b>148,130</b>	<b>141,010</b>

Please note the comparative figures in the above table have been updated from that published in the 2011/12 accounts to reflect more up to date information that was not available at the time that the 2011/12 accounts were prepared.

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.

## 23 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;
- 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 Southdown Waste Services Ltd. The agreement commenced in April 2003. This agreement was subsequently extended by a further five years;
- A contract with NU Library for Brighton Limited for the provision of a new library and library service commenced in November 2004. The contract will run for 25 years.

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. Failure by the PFI contractor to provide the service or meet the standards required, means 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 changes to any of the PFI contracts in the year.

## 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:

Assets held under PFI Arrangements				
2012/13	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2012</b>	<b>80,022</b>	<b>65,374</b>	<b>12,686</b>	<b>158,082</b>
Additions	141	340	0	481
Revaluation increases / decreases recognised in the Revaluation Reserve	233	0	207	440
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services	0	(13,160)	(750)	(13,910)
<b>At 31 March 2013</b>	<b>80,396</b>	<b>52,554</b>	<b>12,143</b>	<b>145,093</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2012</b>	<b>(7,527)</b>	<b>(1,214)</b>	<b>(827)</b>	<b>(9,568)</b>
Depreciation charge	(1,226)	(1,897)	(341)	(3,464)
Depreciation written out to the Revaluation Reserve	1,880	0	342	2,222
Depreciation charged to the Surplus / Deficit on the Provision of Services	0	668	0	668
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	778	778
<b>At 31 March 2013</b>	<b>(6,873)</b>	<b>(2,443)</b>	<b>(48)</b>	<b>(9,364)</b>
<b>Net Book Value at 31 March 2013</b>	<b>73,523</b>	<b>50,111</b>	<b>12,095</b>	<b>135,729</b>
<b>Net Book Value at 1 April 2012</b>	<b>72,495</b>	<b>64,160</b>	<b>11,859</b>	<b>148,514</b>

Assets held under PFI Arrangements				
2011/12 Comparative Figures	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2011</b>	<b>79,773</b>	<b>16,899</b>	<b>12,686</b>	<b>109,358</b>
Additions	99	48,475	0	48,574
Revaluation increases / decreases recognised in the Revaluation Reserve	144	0	0	144
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services	6	0	0	6
<b>At 31 March 2012</b>	<b>80,022</b>	<b>65,374</b>	<b>12,686</b>	<b>158,082</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2011</b>	<b>(6,369)</b>	<b>(722)</b>	<b>(558)</b>	<b>(7,649)</b>
Depreciation charge	(1,185)	(492)	(269)	(1,946)
Other movements	27	0	0	27
<b>At 31 March 2012</b>	<b>(7,527)</b>	<b>(1,214)</b>	<b>(827)</b>	<b>(9,568)</b>
<b>Net Book Value at 31 March 2012</b>	<b>72,495</b>	<b>64,160</b>	<b>11,859</b>	<b>148,514</b>
<b>Net Book Value at 1 April 2011</b>	<b>73,404</b>	<b>16,177</b>	<b>12,128</b>	<b>101,709</b>



The net book value of assets held under the PFI arrangements at 31 March 2013 totalled £135.729m (£148.514m at 31 March 2012) which includes other land and buildings of £134.133m (£146.464m 31 March 2012) and vehicles, plant and equipment of £1.596m (£2.050m 31 March 2012).

Please note the net book value as at 1 April 2011 in respect of the Schools and Library PFI contracts has been updated due to an asset being incorrectly categorised between the contracts.

### Payments Due under PFI Arrangements

The authority makes an agreed payment each year 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				
2012/13	Repayment of Liability £'000	Interest Costs £'000	Payment for Services £'000	Total £'000
<b>Schools PFI Contract</b>				
Within 1 year	389	1,322	1,021	2,732
Within 2 to 5 years	1,969	4,862	4,463	11,294
Within 6 to 10 years	3,880	4,716	6,424	15,020
Within 11 to 15 years	6,549	2,219	7,388	16,156
Within 16 to 20 years	0	0	0	0
Within 21 to 23 years	0	0	0	0
<b>Total Payments Due - Schools PFI</b>	<b>12,787</b>	<b>13,119</b>	<b>19,296</b>	<b>45,202</b>
<b>Waste PFI Contract</b>				
Within 1 year	1,156	2,211	7,170	10,537
Within 2 to 5 years	5,331	8,209	31,313	44,853
Within 6 to 10 years	6,490	8,640	46,192	61,322
Within 11 to 15 years	11,512	6,239	49,962	67,713
Within 16 to 20 years	15,550	2,674	56,719	74,943
Within 21 to 23 years	0	0	0	0
<b>Total Payments Due - Waste PFI</b>	<b>40,039</b>	<b>27,973</b>	<b>191,356</b>	<b>259,368</b>
<b>Library PFI Contract</b>				
Within 1 year	189	555	1,641	2,385
Within 2 to 5 years	925	2,046	7,040	10,011
Within 6 to 10 years	1,680	2,045	9,954	13,679
Within 11 to 15 years	2,530	1,206	11,424	15,160
Within 16 to 20 years	1,269	162	5,100	6,531
Within 21 to 23 years	0	0	0	0
<b>Total Payments Due - Library PFI</b>	<b>6,593</b>	<b>6,014</b>	<b>35,159</b>	<b>47,766</b>
<b>Total PFI Contracts</b>				
Within 1 year	1,734	4,088	9,832	15,654
Within 2 to 5 years	8,225	15,117	42,816	66,158
Within 6 to 10 years	12,050	15,401	62,570	90,021
Within 11 to 15 years	20,591	9,664	68,774	99,029
Within 16 to 20 years	16,819	2,836	61,819	81,474
Within 21 to 23 years	0	0	0	0
<b>Total Payments Due</b>	<b>59,419</b>	<b>47,106</b>	<b>245,811</b>	<b>352,336</b>

<b>Payments Due under PFI Arrangements</b>				
<b>2011/12 Comparative Figures</b>	<b>Repayment of Liability £'000</b>	<b>Interest Costs £'000</b>	<b>Payment for Services £'000</b>	<b>Total £'000</b>
<b>Schools PFI Contract</b>				
Within 1 year	360	1,357	981	<b>2,698</b>
Within 2 to 5 years	1,784	5,041	4,321	<b>11,146</b>
Within 6 to 10 years	3,501	5,074	6,236	<b>14,811</b>
Within 11 to 15 years	5,882	2,833	7,202	<b>15,917</b>
Within 16 to 20 years	1,620	172	1,538	<b>3,330</b>
Within 21 to 23 years	0	0	0	<b>0</b>
<b>Total Payments Due - Schools PFI</b>	<b>13,147</b>	<b>14,477</b>	<b>20,278</b>	<b>47,902</b>
<b>Waste PFI Contract</b>				
Within 1 year	1,092	2,287	6,517	<b>9,896</b>
Within 2 to 5 years	5,066	8,549	28,151	<b>41,766</b>
Within 6 to 10 years	6,087	9,090	42,244	<b>57,421</b>
Within 11 to 15 years	10,905	6,891	47,536	<b>65,332</b>
Within 16 to 20 years	14,764	3,512	55,918	<b>74,194</b>
Within 21 to 23 years	3,517	195	12,283	<b>15,995</b>
<b>Total Payments Due - Waste PFI</b>	<b>41,431</b>	<b>30,524</b>	<b>192,649</b>	<b>264,604</b>
<b>Library PFI Contract</b>				
Within 1 year	174	569	1,552	<b>2,295</b>
Within 2 to 5 years	853	2,118	6,661	<b>9,632</b>
Within 6 to 10 years	1,549	2,175	9,431	<b>13,155</b>
Within 11 to 15 years	2,331	1,402	10,843	<b>14,576</b>
Within 16 to 20 years	1,859	319	5,854	<b>8,032</b>
Within 21 to 23 years	0	0	0	<b>0</b>
<b>Total Payments Due - Library PFI</b>	<b>6,766</b>	<b>6,583</b>	<b>34,341</b>	<b>47,690</b>
<b>Total PFI Contracts</b>				
Within 1 year	1,626	4,213	9,050	<b>14,889</b>
Within 2 to 5 years	7,703	15,708	39,133	<b>62,544</b>
Within 6 to 10 years	11,137	16,339	57,911	<b>85,387</b>
Within 11 to 15 years	19,118	11,126	65,581	<b>95,825</b>
Within 16 to 20 years	18,243	4,003	63,310	<b>85,556</b>
Within 21 to 23 years	3,517	195	12,283	<b>15,995</b>
<b>Total Payments Due</b>	<b>61,344</b>	<b>51,584</b>	<b>247,268</b>	<b>360,196</b>

The payment for services includes lifecycle payments towards the enhancement and maintenance of PFI assets and inflation. No performance deduction is included in the above table as it is unknown as to whether they will arise.

### **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 expenditure incurred (or planned for the future) and interest payable whilst the capital expenditure incurred remains to be reimbursed. The following table shows the value of liabilities outstanding to pay the contractor for capital expenditure resulting from the PFI arrangements and an analysis of the movement in those liability values:

Liabilities Resulting from PFI Arrangements				
2012/13	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
<b>At 1 April 2012</b>	<b>13,147</b>	<b>41,124</b>	<b>6,766</b>	<b>61,037</b>
New Operational Assets	0	0	0	0
Use of Prepayment Reserve	0	0	0	0
Lease Repayment	(360)	(1,086)	(174)	(1,620)
<b>At 31 March 2013</b>	<b>12,787</b>	<b>40,038</b>	<b>6,592</b>	<b>59,417</b>

Liabilities Resulting from PFI Arrangements				
2011/12 Comparative Figures	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
<b>At 1 April 2011</b>	<b>13,480</b>	<b>8,986</b>	<b>6,929</b>	<b>29,395</b>
New Operational Assets	0	48,475	0	48,475
Use of Prepayment Reserve	0	(15,322)	0	(15,322)
Lease Repayment	(333)	(1,015)	(163)	(1,511)
<b>At 31 March 2012</b>	<b>13,147</b>	<b>41,124</b>	<b>6,766</b>	<b>61,037</b>

The above table includes long term liabilities of £57.7m (£59.4m 2011/12) and short term liabilities of £1.7m (£1.6m 2011/12) at 31 March 2013; the long term liability being included in other long term liabilities within the Balance Sheet and the short term liability included in short term creditors.

## 24 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					
	Balance at 1 April 2012 £'000	2012/13			Balance at 31 March 2013 £'000
		Additional Provisions Made £'000	Amounts Used £'000	Unused Amounts Reversed £'000	
<b>Short Term Provisions</b>					
Accumulated Absences	(4,082)	(4,147)	4,082	0	(4,147)
Other Provisions	(311)	(388)	309	0	(390)
<b>Total</b>	<b>(4,393)</b>	<b>(4,535)</b>	<b>4,391</b>	<b>0</b>	<b>(4,537)</b>
<b>Long Term Provisions</b>					
Single Status Liability Provision	(2,250)	(1,507)	1,876	375	(1,506)
Voluntary Severance Scheme Provision	(308)	(1,818)	345	0	(1,781)
Other Provisions	(2,056)	(256)	795	0	(1,517)
<b>Total</b>	<b>(4,614)</b>	<b>(3,581)</b>	<b>3,016</b>	<b>375</b>	<b>(4,804)</b>

### Accumulated Absences

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

### Single Status Liability Provision

The authority implemented a 'Single Status' pay and grading system in 2010. At this time, a number of proactive offers were made to groups of staff in relation to potential historic equal pay (back pay) liabilities. Since 2010, a small number of other potential historic liabilities have arisen as equal pay case law and legislation

have developed. Each case is considered on its merits and a legal review undertaken before considering proactive settlement. Provision is made for these liabilities where they can be estimated with reasonable accuracy.

### Voluntary Severance Scheme Provision

The authority established a voluntary severance scheme during late 2012/13 to allow its officers to consider leaving their employment with the authority in return for a severance package. This scheme was established to assist the authority in meeting its tough financial targets in 2013/14 whilst avoiding the need for compulsory redundancies. The balance on the provision will meet the costs of severance packages which had not been completed at the Balance Sheet date.

### Other Provisions

All other provisions are individually insignificant.

## 25 Usable Reserves

The authority holds a number of usable reserves, being those reserves that the authority can use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement

## 26 Unusable Reserves

The authority holds a number of unusable reserves which the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and timing differences between the accounting basis and funding basis. The following table shows the movement on unusable reserves analysed between those amounts held for capital purposes and those held for revenue purposes:

Unusable Reserves			
	Balance as at 1 April 2011	Balance as at 31 March 2012	Balance as at 31 March 2013
	£'000	£'000	£'000
<b>Unusable Reserves Held for Revenue Purposes</b>			
Collection Fund Adjustment Account	183	713	(424)
Financial Instruments Adjustment Account	1,380	1,045	1,006
Available for Sale Financial Instruments Reserve	(22)	(15)	(19)
Pensions Reserve	106,557	155,647	198,205
Accumulated Absences Account	5,020	4,082	4,147
<b>Total Unusable Reserves Held for Revenue Purposes</b>	<b>113,118</b>	<b>161,472</b>	<b>202,915</b>
<b>Unusable Reserves Held for Capital Purposes</b>			
Revaluation Reserve	(491,197)	(528,535)	(555,381)
Capital Adjustment Account	(1,191,750)	(1,189,778)	(1,182,608)
Deferred Capital Receipts Reserve	(6,104)	(6,115)	(6,086)
<b>Total Unusable Reserves Held for Capital Purposes</b>	<b>(1,689,051)</b>	<b>(1,724,428)</b>	<b>(1,744,075)</b>
<b>Total Unusable Reserves</b>	<b>(1,575,933)</b>	<b>(1,562,956)</b>	<b>(1,541,160)</b>

Please note the comparative figures for the capital adjustment account and revaluation reserve in the above table have been restated to reflect the prior period adjustments for sheltered housing stock, rare books and the Royal Pavilion. Note 4 provides more detail.

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its property, plant and equipment. 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 Capital Adjustment Account. The reserve is matched by non current assets within 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 year:

<b>Revaluation Reserve</b>			
	<b>2011/12</b>	<b>2012/13</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance as at 1 April</b>	<b>(491,197)</b>		<b>(528,535)</b>
Upward revaluation of assets	(54,500)	(45,530)	
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	8,256	12,406	
Surplus / Deficit on revaluation of non current assets not posted to the Surplus /Deficit on the Provision of Services	<b>(46,244)</b>		<b>(33,124)</b>
Difference between fair value depreciation and historical cost depreciation	6,615	6,216	
Accumulated gains on assets sold or scrapped	2,150	1,268	
Other amounts written off to Capital Adjustment Account	141	(1,206)	
Amount written off to the Capital Adjustment Account	<b>8,906</b>		<b>6,278</b>
<b>Balance as at 31 March</b>	<b>(528,535)</b>		<b>(555,381)</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustments for rare books and the Royal Pavilion. Note 4 provides more detail.

### **Capital Adjustment Account**

The Capital Adjustment Account 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 Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses, revaluation losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures 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 Capital Adjustment Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the authority. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve. The account is matched by non current assets within the Balance Sheet and therefore is not a resource available to the authority.

The following table shows the balances on the Capital Adjustment Account at the beginning and end of the reporting period and the detailed movements in the year:

<b>Capital Adjustment Account</b>				
	2011/12		2012/13	
	£'000	£'000	£'000	£'000
<b>Balance as at 1 April</b>	<b>(1,191,750)</b>			<b>(1,189,778)</b>
<b>Reversal of items relating to capital expenditure debited / credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation and impairment of non current assets	39,492	40,316		
Revaluation losses on Property, Plant and Equipment	7,118	22,433		
Upward revaluation reversing a previous revaluation loss on housing stock	(929)	(1,647)		
Amortisation of intangible assets	970	957		
Revenue expenditure funded from capital under statute	6,553	4,565		
Income in relation to donated assets	0	(156)		
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	25,231	17,028		
	78,435			83,496
Adjusting amounts written out to the Revaluation Reserve	(8,906)			(6,278)
Net written out amount of the cost of non current assets consumed in the year	<b>69,529</b>			<b>77,218</b>
<b>Capital financing applied in the year</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	(5,504)	(9,266)		
Use of Earmarked Reserves to finance new capital expenditure	(4,955)	(924)		
Use of HRA balance for capital financing	0	(2,270)		
Use of the Major Repairs Reserve to finance new capital expenditure	(9,587)	(7,796)		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(35,937)	(25,301)		
Application of grants to capital financing from the Capital Grants Unapplied Account	(158)	(744)		
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(23,617)	(8,216)		
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(2,820)	(2,319)		
Capital expenditure charged against the General Fund and HRA balances	(5,146)	(14,997)		
HRA Debt Settlement to the Secretary of State in preparation for the commencement of self financing of the HRA	18,081	0		
Other adjustments	0	0		
	<b>(69,643)</b>			<b>(71,833)</b>
Movements in the market value of investment properties debited / credited to the Comprehensive Income and Expenditure Statement	<b>2,086</b>			<b>1,785</b>
<b>Balance as at 31 March</b>	<b>(1,189,778)</b>			<b>(1,182,608)</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustment for sheltered housing stock. Note 4 provides more detail.

## 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 expenditure until they are backed by cash 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 year:

Deferred Capital Receipts Reserve		
	2011/12 £'000	2012/13 £'000
<b>Balance as at 1 April</b>	<b>(6,104)</b>	<b>(6,115)</b>
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(32)	0
Write down of finance lease liability	14	15
Transfer to the Capital Receipts Reserve upon receipt of cash	7	14
<b>Balance as at 31 March</b>	<b>(6,115)</b>	<b>(6,086)</b>

Please note the comparative figures in the above table have been updated to that published in the 2011/12 accounts due to a re-analysis of the transactions within this reserve.

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax 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 15 January estimate of the share of the Collection Fund balance for the previous year.

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 year:

Collection Fund Adjustment Account		
	2011/12 £'000	2012/13 £'000
<b>Balance as at 1 April</b>	<b>183</b>	<b>713</b>
Amount by which council tax income credited / (debited) to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	530	(1,137)
<b>Balance as at 31 March</b>	<b>713</b>	<b>(424)</b>

## 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 borrowing and investments within 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 year:

Available for Sale Financial Instruments Reserve		
	2011/12 £'000	2012/13 £'000
<b>Balance as at 1 April</b>	(22)	(15)
Downward revaluations of investments not charged to the Surplus /Deficit on the Provision of Services	20	5
Upward revaluation of investments	(13)	(9)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income and Expenditure	0	0
<b>Balance as at 31 March</b>	<b>(15)</b>	<b>(19)</b>

### 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 per statutory provisions. The authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the authority's case, this period is 49 years. As a result, the balance on the Financial Instruments Adjustment Account at 31 March 2013 will be charged to the General Fund over the next 42 years.

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 year:

Financial Instruments Adjustment Account			
	2011/12 £'000	2012/13	
		£'000	£'000
<b>Balance as at 1 April</b>	<b>1,380</b>		<b>1,045</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0	
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(335)	(39)	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(335)		(39)
<b>Balance as at 31 March</b>	<b>1,045</b>		<b>1,006</b>

### Pensions Reserve

The Pensions 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 Comprehensive Income and Expenditure Statement 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 following table shows the balances on the Pensions Reserve at the beginning and end of the reporting period and the detailed movements in the year:



Pensions Reserve		
	2011/12 £'000	2012/13 £'000
<b>Balance as at 1 April</b>	<b>106,557</b>	<b>155,647</b>
Actuarial gains / losses on pension assets and liabilities	52,058	44,148
Reversal of items relating to retirement benefits debited /credited to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	19,200	21,073
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,168)	(22,663)
<b>Balance as at 31 March</b>	<b>155,647</b>	<b>198,205</b>

The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet. Note 33 provides further information.

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for employees' compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or 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 year:

Accumulated Absences Account			
	2011/12 £'000	2012/13	
		£'000	£'000
<b>Balance as at 1 April</b>	<b>5,020</b>		<b>4,082</b>
Settlement or cancellation of accrual made at the end of the preceding year	(5,020)	(4,082)	
Amounts accrued at the end of the current year	4,082	4,147	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(938)		65
<b>Balance as at 31 March</b>	<b>4,082</b>		<b>4,147</b>

## 27 Contingent Liabilities and Contingent Assets

The authority has a material 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 litigious matters which had not been resolved at the Balance Sheet date.

Since 2009, the authority has made a number of proactive payments to specific groups of employees to mitigate equal pay claims and the associated financial liabilities. Provision is made for these where they can be estimated with reasonable accuracy as described in note 24. As at the Balance Sheet date, there may be other potential historic liabilities for which it is not possible to estimate any potential liability with accuracy until detailed legal review and analysis has been undertaken as and when cases arise.

The authority has a contingent liability in respect of Brighton & Hove Seaside Community Homes Ltd, an independent charitable organisation set up by the authority for the purpose of providing accommodation for persons with special needs. The liability arises from an indemnity provided by the authority to the

organisation's funder whereby the rental income received by the organisation from its tenants equals, as a minimum, the projected income set out in the organisation's approved business plan. A provision has been made for 2013/14 but the authority is not able to determine the probability or size of any indemnity being called upon in later years as the level of future rental income is dependent upon factors outside the authority's control.

## 28 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 accounts 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 2012/13 can be found in notes 13 and 14 respectively. Details of the amounts owed to/from central government are included in notes 38 and 37 respectively.

### Levyng Authorities

Other public bodies may levy the authority (i.e. make a demand on the council tax requirement). For 2012/13 levies totalled £202,319 (£198,985 2011/12). These costs are included in Other Operating Expenditure within the Comprehensive Income and Expenditure Statement and include a precept of £36,000 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 2012/13 is shown in note 29. During 2012/13, works and services to the value of £12.989m (£8.319m 2011/12) 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 2012/13, the authority provided Chief Finance Officer (S151) and other financial services to the South Downs National Park Authority (SDNPA) on a contractual basis. During 2012/13, the authority received £0.518m 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 8.

### 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, to the year 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 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, 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 charity company set up by 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 over a five year period starting from November 2011 (351 properties transferred as at 31 March 2013). The properties will be 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.

## 29 Members' Allowances and Expenses

The authority paid the following amounts to members during the year:

<b>Members' Allowances and Expenses</b>		
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
Allowances	890	860
Expenses	3	5
<b>Total Payments to Members</b>	<b>893</b>	<b>865</b>

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 2012/13 are published in the local newspaper, the Argus, and posted on the notice boards outside the town halls in Brighton and Hove and on the authority's website.

## 30 Officers' Remuneration

The remuneration paid to the authority's senior employees broken down between salaries of £150,000 or more per year and salaries of between £50,000 and £149,999 per year is detailed in the following tables. The definition of a senior employee is provided in the Accounts and Audit regulations and the authority 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 year

Senior Employee Remuneration - salary of £150,000 or more per year						
2011/12	2012/13					
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
£		£	£	£	£	£
0	Chief Executive - P Thompson	57,917	10,000	67,917	10,251	78,168
0	Acting Chief Executive - C Vaughan	31,500	0	31,500	5,576	37,076
194,500	Chief Executive - J Barradell	70,833	0	70,833	12,538	83,371
194,500	<b>Total</b>	160,250	10,000	170,250	28,365	198,615

A new chief executive (P Thompson) was appointed during the reporting period and commenced her duties in December 2012; the previous post holder (J Barradell) having left in September 2012. An acting chief executive was appointed to cover the period whilst the new chief executive was being recruited.

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

Senior Employee Remuneration - salary between £50,000 and £149,999								
2011/12	2012/13							
Total Remuneration including Pension Contributions	Post Holder Information	Note	Salary (including Fees & Allowances)	Expense Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
£			£	£	£	£	£	£
146,600	Strategic Director - People	2,3	72,628	0	0	72,628	12,728	85,356
146,600	Strategic Director - Resources	2	55,556	0	0	55,556	9,833	65,389
151,100	Strategic Director - Place	4	125,000	0	0	125,000	22,125	147,125
125,000	Strategic Director - Communities	2	62,500	0	125,000	187,500	8,108	195,608
0	Acting Director of Finance	4	22,687	0	0	22,687	4,016	26,703
0	Interim Lead for Policy and Performance, Communications and Legal and Democratic Services	4,5	49,179	0	0	49,179	8,705	57,884
0	Interim Lead for Culture, Tourism and Leisure and Sport and Leisure	4,5	86,290	0	0	86,290	15,273	101,563
87,700	Head of Planning and Public Protection		74,712	0	0	74,712	13,224	87,936
93,800	Head of City Services		80,000	0	0	80,000	14,160	94,160
81,900	Head of Tourism and Leisure	2	30,208	0	0	30,208	5,347	35,555
81,900	Head of Housing and Social Inclusion		73,465	0	0	73,465	13,003	86,468
96,500	Head of City Infrastructure		85,000	0	0	85,000	15,045	100,045
99,500	Head of Children and Families		85,000	0	0	85,000	15,045	100,045
75,000	Head of Adults Assessment		75,000	0	0	75,000	9,317	84,317
78,900	Head of Adults Provider		70,000	0	0	70,000	12,390	82,390
105,300	Director of Adult Social Services	4	101,355	0	0	101,355	17,940	119,295
93,200	Director of Finance	1	61,986	0	0	61,986	10,972	72,958
<b>1,463,000</b>	<b>Total</b>		<b>1,210,566</b>	<b>0</b>	<b>125,000</b>	<b>1,335,566</b>	<b>207,231</b>	<b>1,542,797</b>

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

1. The Full Time Equivalent salary for the Director of Finance would have been £98,050 in 2012/13.
2. In cases where the post holder has been in post for less than a full year the proportion of their remuneration relating to the period in post has been disclosed in the above table, however their full year remuneration meets the disclosure requirements.
3. The statutory post of Director of Children Services was appointed on an interim basis between October 2012 and the end of the reporting period. As this interim arrangement was appointed on a consultancy basis this has been excluded from this disclosure.
4. An interim structure was appointed to cover the period mid September 2012 to end November 2012 whilst a new chief executive was being recruited.
5. From mid September 2012 until end of reporting period, the responsibilities of the role of Strategic Director (Communities) was covered on an acting up basis by two interim leads.

The authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2011/12 Number of Employees	2012/13 Number of Employees
£50,000 - £54,999	101	87
£55,000 - £59,999	63	51
£60,000 - £64,999	34	32
£65,000 - £69,999	20	23
£70,000 - £74,999	7	7
£75,000 - £79,999	15	7
£80,000 - £84,999	8	5
£85,000 - £89,999	1	6
£90,000 - £94,999	2	2
£95,000 - £99,999	1	2
£100,000 - £104,999	3	2
£105,000 - £109,999	1	0
£110,000 - £114,999	0	1
£115,000 - £119,999	0	1

### 31 Termination Benefits including Exit Packages

The authority terminated the contracts of a number of employees during 2012/13, incurring liabilities of £1.390m (£3.985m in 2011/12). The authority also incurred £0.183m in respect of other exit packages. These amounts were paid to employees, employed across different services within the authority. Within the sum of £1.390m, amounts of £0.346m were paid from the provision made in 2011/12 which was charged to the Comprehensive Income and Expenditure Statement in 2011/12.

The Comprehensive Income and Expenditure Statement includes £1.044m of severance costs. In addition, the authority made an additional provision of £1.818m charged to the Comprehensive Income and Expenditure Statement in respect of severance costs which it had committed to pay as at 31 March 2013 with the actual payments being made in 2013/14.

As at 31 March 2013, the authority had a provision of £1.781m in respect of committed payments for voluntary redundancy packages payable to 104 officers. The following table shows the numbers of exit packages with 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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
							£'000	£'000
£0 - £20,000	0	0	109	185	109	185	779	662
£20,001 - £40,000	0	0	18	14	18	14	524	410
£40,001 - £60,000	0	0	3	5	3	5	144	236
£60,001 - £80,000	0	0	2	2	2	2	134	140
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	1	0	1	0	125
£150,001 - £200,000	0	0	0	0	0	0	0	0
<b>Total included in Bandings</b>	<b>0</b>	<b>0</b>	<b>132</b>	<b>207</b>	<b>132</b>	<b>207</b>	<b>1,581</b>	<b>1,573</b>

Please note that the costs included in the above table include voluntary redundancies, early retirement pension costs and pay in lieu of notice.

### 32 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 (TP) on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the TP uses 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 scheme with sufficient reliability for accounting purposes. For the purpose of the accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13, the authority paid £8.92m (£8.98m for 2011/12) to the Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (14.1% for 2011/12) of pensionable pay. There were no contributions remaining payable at the end of the reporting period.

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

### 33 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 officers. 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) administered locally by East Sussex County Council. The scheme is a funded defined benefit final salary 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.

The authority uses Hymans Robertson LLP, an independent firm of actuaries, to assess the position of the authority's pension fund.

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 is 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.

#### Transactions relating to Post Employment Benefits

Post employment benefits are recognised in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 against council tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out of the General Fund balance to the Pensions Reserve and reported in the Movement in Reserves Statement.

The following table shows the transactions that have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year in relation to the Local Government Pension Scheme:

Transactions made in respect of the Local Government Pension Scheme		
	2011/12	2012/13
	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
• current service cost	(19,897)	(19,817)
• past service cost	(201)	(166)
• settlements and curtailments	(1,369)	(283)
<b>Financing and Investment Income and Expenditure</b>		
• interest cost	(37,646)	(36,300)
• expected return on scheme assets	39,913	35,493
<b>Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services</b>	<b>(19,200)</b>	<b>(21,073)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus / Deficit for the Provision of Services for post employment benefits	19,200	21,073
<b>Actual amount charged against the General Fund and HRA balance for pensions in the year</b>		
Employers' contributions payable to the scheme	(22,168)	(22,663)
<b>Net Movement in Pension Liability</b>	<b>(2,968)</b>	<b>(1,590)</b>
<b>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Actuarial (Gains) / Losses	52,058	44,148
<b>Net Adjustment to Pension Reserve</b>	<b>49,090</b>	<b>42,558</b>

There has been a reduction between years in the current service cost, although the amount of current service cost in 2012/13 of £19.817m as a percentage of total pay has increased by 0.5%. The current service cost is



based on financial assumptions as at the start of the reporting period (i.e. 31 March 2012) at which point, these assumptions were less favourable than in previous years, leading to the percentage increase in current service cost.

The actuarial loss in 2012/13 was £43.858m; this is different to the loss recorded in the financial statements of £44.148m due to estimated projections of contributions being used by the pension actuary. The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £262.999m.

### Assets and Liabilities in relation to Post Employment Benefits

The following table shows a reconciliation of the present value of the Local Government Pension Scheme liabilities (i.e. the defined benefit obligation):

Present Value of the Pension Scheme Liabilities		
	2011/12	2012/13
	£'000	£'000
<b>Balance at 1 April</b>	<b>(682,765)</b>	<b>(755,007)</b>
Current service cost	(19,897)	(19,817)
Interest cost	(37,646)	(36,300)
Contributions by scheme participants	(7,238)	(7,037)
Actuarial gains / (losses)	(31,142)	(96,412)
(Losses) / gains on curtailment	(1,369)	(283)
Unfunded benefits paid	2,495	2,465
Benefits paid	22,756	22,342
Past service cost	(201)	(166)
<b>Balance at 31 March</b>	<b>(755,007)</b>	<b>(890,215)</b>

The significant increase in the scheme liabilities is a result of the financial assumptions made by Hymans Robertson LLP at 31 March 2013 being less favourable than those made at 31 March 2012. Specifically the discount rate used in the actuarial calculations has decreased during the year resulting in a negative impact on the Balance sheet.

The following table shows a reconciliation of the fair value of the Local Government Pension Scheme assets:

Fair Value of the Pension Scheme Assets		
	2011/12	2012/13
	£'000	£'000
<b>Balance at 1 April</b>	<b>576,208</b>	<b>599,362</b>
Expected rate of return	39,913	35,493
Actuarial gains and (losses)	(21,441)	52,554
Employer contribution as per actuary report	20,200	19,908
Contribution in respect of unfunded benefits as per actuary report	2,495	2,465
Contributions by scheme participants	7,238	7,037
Unfunded benefits made	(2,495)	(2,465)
Benefits paid	(22,756)	(22,342)
<b>Balance at 31 March</b>	<b>599,362</b>	<b>692,012</b>

The expected return on scheme assets of £35.493m (£39.913m for 2011/12) is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments were based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £88.172m (£18.604m for 2011/12). Investment performance on the scheme assets during 2012/13 was higher than expected and as a result the scheme assets have increased, as noted above the positive impact of this was negated by the increase in liabilities.

## Local Government Pension Scheme History

The following table shows the amounts for the current annual period and previous four annual periods of the present value of the scheme liabilities (i.e. the defined benefit obligation), the fair value of the scheme assets and the deficit in the Local Government Pension Scheme:

Pension Scheme History					
	31 March 2009 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2013 £'000
Present value of liabilities	(518,013)	(877,608)	(682,765)	(755,007)	(890,215)
Fair value of assets	376,961	523,910	576,208	599,362	692,012
<b>Deficit in the Scheme</b>	<b>(141,052)</b>	<b>(353,698)</b>	<b>(106,557)</b>	<b>(155,645)</b>	<b>(198,203)</b>

Note: The level of the Pension Reserve as at 31 March 2013 is £0.002m higher than the deficit in the pension scheme quoted in the above table. This difference can be accounted for by a rounding difference in the reconciliation of defined benefit obligations table with the pension's actuary report.

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 £890.215m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £198.203m. However, statutory arrangements for funding the pension deficit mean that the financial position of the authority remains healthy:

- The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Based on the current benefit structure of the Local Government Pension Scheme (LGPS) and using the roll forward method, the actuarial estimate of the present value of funded liabilities as at 31 March 2013 is £853.735m for funded obligations which includes £427.465m, £161.586m and £264.684m in respect of employee members, deferred pensioners and pensioners respectively and £36.482m unfunded obligations which comprises £28.727m in respect of LGPS unfunded pensions and £7.755m in respect of teachers' unfunded pensions.

Assuming no material events (e.g. curtailments, settlements, restrictions) are placed on admitting new entrants to the fund or discontinued participation in the fund, the total contributions expected to be made to the Local Government Pension Scheme by the authority in the year to 31 March 2014 will be in the region of £19.719m.

### Basis for Estimating Assets and Liabilities

Liabilities for the Local Government Pension 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 years dependent on assumptions about mortality rates, salary levels etc).

The following table show the principal assumptions used by the actuary as at the Balance Sheet date:

Principal Assumptions		
	31 March 2012	31 March 2013
<b>Long term expected rate of return on assets in the scheme</b>		
Equity Investments	6.3%	4.5%
Bonds	4.4%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%
<b>Mortality assumptions</b>		
Longevity at 65 for current pensioners:		
• men	21.3 years	21.3 years
• women	23.3 years	23.4 years
Longevity at 65 for future pensioners:		
• men	23.4 years	23.3 years
• women	25.7 years	25.7 years
<b>Financial assumptions</b>		
Rate of inflation/pension increase rate	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate for discounting scheme liabilities	4.8%	4.5%
Expected total return on assets	5.9%	4.5%
Take up of option to convert annual pension in retirement grant	*	*

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

Note: The expected rates of return on assets in the scheme have been kept equal to that of the discount rate used in the financial assumptions. This is a result of the impending revision of IAS19.

The following table shows, for each major category of the Local Government Pension Scheme assets, the proportion that each category constitutes of the fair value of the total scheme assets held:

Proportion of the Fair Value of the Scheme Assets by Category		
	31 March 2012	31 March 2013
Equity Investments	80.0%	80.0%
Bonds	9.0%	9.0%
Property	9.0%	8.0%
Cash	2.0%	3.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## History of Experience Gains and Losses

The actuarial gains / losses consist of experience adjustments and the effects of changes in actuarial assumptions. Experience adjustments are adjustments for the effects of differences between the previous actuarial assumptions and what has actually occurred.

The following table shows the amounts for the current annual period and previous four annual periods of the experience adjustments arising on the Local Government Pension Scheme liabilities expressed as a percentage of the scheme liabilities at the Balance Sheet date and the scheme assets expressed as a percentage of the scheme assets at the Balance Sheet date:

Experience Gains and Losses										
	2008/09		2009/10		2010/11		2011/12		2012/13	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Experience gains and (losses) on assets	(109,733)	(29.1)	112,648	21.5	9,020	1.6	(21,441)	(3.6)	52,554	7.6
Experience gains and (losses) on liabilities	(1,822)	0.4	(9,809)	1.1	78,982	11.6	(10,533)	1.4	30	(0.0)

## 34 Cash and Cash Equivalents

The Cash Flow Statement shows the total movement of the authority's cash and cash equivalent funds during the reporting period. The result of the Cash Flow Statement is equal to the movement of the cash / bank overdraft and cash equivalents on the Balance Sheet.

The authority uses the indirect method to report its cash flows from operating activities whereby the net Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement 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.

### 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:

<b>Cash and Cash Equivalents</b>			
	<b>1 April 2011</b>	<b>31 March 2012</b>	<b>31 March 2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank current accounts	(4,731)	(6,884)	(3,123)
Short term deposits	24,024	23,122	30,366
<b>Total Cash and Cash Equivalents</b>	<b>19,293</b>	<b>16,238</b>	<b>27,243</b>

### Reconciliation of the Net Cash Flows from Operating Activities to the Surplus or Deficit on the Provision of Services

The Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement includes some transactions which do not result in cash flows, and others which are not classified as operating activities within the Cash Flow Statement (i.e. classified as investing or financing cash flows). The following table identifies these transactions and reconciles the Surplus / Deficit on the Provision of Services with the net cash flows from operating activities within the Cash Flow Statement:

<b>Reconciliation of Net Cash Flows from Operating Activities to the Surplus / Deficit on the Provision of Services</b>		
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
<b>Surplus / (Deficit) on the Provision of Services</b>	<b>(13,463)</b>	<b>(8,751)</b>
<b>Adjustments to the Surplus / Deficit on the Provision of Services for Non Cash Movements</b>		
Depreciation, amortisation, impairment and downward valuations	46,651	62,059
Impairment losses on loans & advances debited to surplus or deficit on the provision of services in year	26	0
Adjustments for effective interest rates	1,011	69
Increase / (decrease) in creditors	(7,971)	(4,199)
(Increase) / decrease in debtors	816	(931)
(Increase) / decrease in inventories	(2)	(7)
Movement in the pension liability	(2,968)	(1,590)
Contributions to/(from) provisions	(3,233)	334
Carrying amount of non current assets sold or derecognised	25,231	17,028
Donated assets values	0	(156)
Movement in investment property values	2,086	1,785
	<b>61,647</b>	<b>74,392</b>
<b>Adjustments for items included in the Surplus / Deficit on the Provision of Services that are Investing or Financing Activities</b>		
Capital grants credited to surplus / deficit on the provision of services	(35,937)	(25,301)
Proceeds from the sale of non current assets	(8,803)	(11,642)
	<b>(44,740)</b>	<b>(36,943)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>3,444</b>	<b>28,698</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustments for sheltered housing stock. Note 4 provides more detail.

### **Net Cash Flows from Operating Activities relating to Interest**

Operating activities within the Cash Flow Statement include the following cash flows relating to interest:

<b>Net Cash Flows from Operating Activities relating to Interest</b>		
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest Received</b>		
Ordinary interest received	1,386	1,292
Other adjustments for differences between effective interest rates and actual interest receivable	(16)	(10)
Movement in debtor	(57)	61
	<b>1,313</b>	<b>1,343</b>
<b>Interest Paid</b>		
Interest charge for year	(16,023)	(16,593)
Adjustments for differences between effective interest rates and actual interest payable	1,027	79
Movement in creditor	1,208	145
	<b>(13,788)</b>	<b>(16,369)</b>
<b>Net Cash Flows from Operating Activities relating to Interest</b>	<b>(12,475)</b>	<b>(15,026)</b>

## Net Cash Flows from Investing Activities

Investing activities within the Cash Flow Statement include the following amounts:

Net Cash Flows from Investing Activities		
	2011/12 £'000	2012/13 £'000
Purchase of non current assets		
• Property, plant and equipment	(112,273)	(63,482)
• Intangible assets	(533)	(1,136)
• Heritage assets	(225)	(71)
• Assets Held for Sale	0	(1)
• Investment Property	0	(10)
Add back PFI assets (non cash flow item)	48,475	0
Movement in capital creditors	(1,970)	(3,078)
	<b>(66,526)</b>	<b>(67,778)</b>
Purchase of short term investments	(36,732)	(29,120)
Long term loans granted	(157)	(763)
Proceeds from short term investments	39,961	33,772
Proceeds from the sale of non current assets	8,803	11,642
	<b>11,875</b>	<b>15,531</b>
<b>Other Receipts from Investing Activities</b>		
Other capital cash receipts	148	141
Capital grants received	20,757	35,189
	<b>20,905</b>	<b>35,330</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(33,746)</b>	<b>(16,917)</b>

## Net Cash Flows from Financing Activities

Financing activities within the Cash Flow Statement include the following amounts:

Net Cash Flows from Financing Activities		
	2011/12 £'000	2012/13 £'000
Cash receipts of short and long term borrowing	28,081	0
Billing Authorities - Council Tax and NNDR adjustments	5,166	(776)
Repayment of short term and long term borrowing	(6,000)	0
<b>Net Cash Flows from Financing Activities</b>	<b>27,247</b>	<b>(776)</b>

## 35 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is specified by the *Service Reporting Code of Practice (SeRCOP)*. However, 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 expenditure (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 Comprehensive Income and Expenditure Statement);
- 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 year;
- 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. The process used by the authority in reporting its financial performance is as follows:

- The authority identifies its principal operating segments as those service areas whose gross income and/or gross expenditure is 10% or more of the total gross income and/or gross expenditure of the reportable cost of services;
- Operating segments which do not meet this criteria are only reported to ensure that the reportable segments include at least 75% of the net expenditure within the reportable cost of services; the prioritisation given to reporting other operating segments which do not meet the 10% or more criteria is by their % of the net expenditure within the reportable cost of services;
- Other operating segments not meeting these two criteria are further considered for inclusion in the reportable segments to assess any added value in relation to the understanding for the readers of the accounts of the authority's financial position.

The authority has opted to disclose information on all its operating segments. The authority does not aggregate any operating segments for reporting purposes. The operating segments of the authority are shown below:

### People

This operating segment covers both services for children, young people and their families aged 0-19 and services to adults and older people and includes the following services:

- Children and Families services which cover:
  - integrated early years services including health visitors in children's centres and ensuring sufficient and good quality childcare across the city;
  - inclusion, health and wellbeing and improving educational attendance and attainment for all children and young people;
  - youth support services;
  - youth offending service;
  - integrated child development and disability services which provides a range of health and social care services to meet the needs of children with a disability and their families and carers;
  - social work which provides statutory services and assessments for children in need, child protection services and support for children in need and children in care;
  - the fostering and adoption service, including supporting and supervising foster carers and adopters and finding suitable and safe placements for children;
  - school advisory services;
  - home to school transport;
  - healthy schools/health children support services;
  - additional out of school learning activities.
- Adults Assessment services which include:
  - access, assessment and review services which provide the statutory assessment and review functions for adult social care;
  - community care which covers statutory services arranged through the independent sector to vulnerable older people, people with mental ill health, younger disabled adults and those with drug and alcohol misuse issues.

- Adults Provider services which cover:
  - care and support services for older people, older people with mental health needs and people with a learning disability to enable them to continue to live independently in their own home or within specialist accommodation;
  - residential and supported living services, day services and day options, carelink plus community alarms and tele-care services, respite and short term breaks to support carers, support to improve independence following illness or crisis, community support, support for families providing homes for disabled people, short term homecare services to promote independence and support for people leaving hospital to return home, and provision of care within extra care housing facilities.
  - Support for disabled people to gain work experience, training and volunteering experience, and to obtain and maintain employment.

## Place

This operating segment includes the following services:

- Housing and Social Inclusion services which cover housing strategy, development and private sector housing, integrated housing adaptations service, housing needs, options and social inclusion, Homemove, temporary accommodation and housing support services including supporting people and homelessness and traveller services;
- Infrastructure services which cover:
  - City Clean which is responsible for the development and delivery of sustainable street cleansing, recycling and refuse collection service to all residents in the city;
  - City Parks which manages parks and green spaces ranging from urban city parks to chalk downland and maintains street trees and issues tree preservation orders and manages allotments;
  - Parking Services which manages on-street parking and enforcement, bus lane enforcement, management of parking permits, payment handling and parking appeals. The service also covers the provision of a number of off-street car parks, parking equipment and facilities maintenance;
  - Highways Maintenance which manages the maintenance of the highways, coordinates works on the highways, maintains street lights and provides winter gritting services.
- Planning and Public Protection services which cover:
  - Planning which deals with planning and building regulations applications and is also responsible for the planning framework for the city and contributing to regional planning, leads on urban design and conservation and contributes to the development of the authority's portfolio of major projects;
  - Public Protection which includes environmental health, licensing, trading standards, emergency planning and business continuity management services;
  - Economic Development which works to create the right environment in which businesses can thrive. The service promotes and helps to generate commercial space, provides business advice signposting, and facilitates skills and career development and support with the aim to sustain and grow the business base and increase the range of quality employment opportunities available for residents. The economic development team works with a range of public, private and voluntary sector partners to develop joint activities designed to maximise resources, monitor and analyse economic conditions, secure regeneration investment to the city and promote sustainable economic development.

The Place operating segment also includes the major projects and regeneration team which manages, together with public and private sector partners, the implementation of key regeneration and infrastructure projects that contribute to the transformation of the city for all, including the development of key employment sites.

## Communities

This operating segment includes the following services:

- Communities and Equalities services which cover tackling inequality, promoting equality, the provision of grants to the voluntary sector and community development and engagement;
- Sports and Leisure services which include the provision of all sports facilities, sports development, the seafront, venues and outdoor events;
- Cultural services which include:



- tourism and leisure services which supports the visitor economy through the creation of high quality events and services; cares for the city's rich historic assets and improves the life chances and well being of local people through culture, sport and education;
- cultural and learning services for the local community as well as national and international visitors ;
- the strategic development and management of the Royal Pavilion, museums, art galleries and archives and manages the seafront and the city's extensive annual programme of outdoor events;
- heritage and the work of the international team which supports the authority and external partners to make successful international funding bids, participates in international networks and partnerships, and is responsible for delivery of the authority's international strategy;
- the community safety team and partnership and drug and alcohol action team which delivers services and leads the partnership work to reduce: crime in ten priority crime areas, fear of crime, anti-social behaviour, and drug and alcohol dependency.

## Finance and Resources

This operating segment covers the following services which lead on improving the customer experience and wider welfare reform programme:

- Revenues and Benefits which includes the collection of council tax and national non domestic rates (NNDR), payment of housing and council tax benefit (including investigations) and bailiffs;
- Life Events which covers bereavement services, registrars, land charges and electoral services;
- Customer Services which includes front line services including the main switchboard and reception at the main civic buildings and customer service advisors at the customer service centre;
- Libraries and Information services which promote reading and enable lifelong learning through free access for everyone to books and information and with wide ranging cultural, historical and recreational materials in a variety of media.

The Finance and Resources operating segment also includes a number of resource units that provide specialist professional services to the authority as follows:

- Legal and Democratic services which facilitates the achievement of the authority's objectives by managing and supporting the democratic decision making process and enabling member development, ensuring legality and probity in the discharge of the authority's functions, maintaining high standards of conduct among members and officers and ensuring an effective overview and scrutiny function;
- Human Resources and Organisational Development which supports and develops the authority's managers and develops policy frameworks and approaches around all aspects of employment. It is also responsible for supporting achievement of the authority's improvement programme through performance management, learning and development. The service has responsibility for facilitating a safe and healthy workplace where people are properly rewarded, respected, motivated and developed;
- Property and Design which provides a strategic lead and asset management on the authority's property portfolio. The service manages and maintains the commercial and agricultural portfolios, and provides corporate management and maintenance of civic and non-housing operational buildings, including schools, adult social care and environment buildings. The city architect offers design and general property advice through multi-disciplinary professional teams: architecture and design, building maintenance, facilities management, estate management, corporate asset management, building services and energy management;
- ICT which provides internal support related to information assets, the applications and systems on which most functions of the authority rely, and the underlying technical infrastructure which allows services to communicate, collaborate and engage with each other, external partners and their customers. ICT provides a full technical design and support function which is adaptable and responsive to the many varied needs of the authority, exploiting technology to support excellent service delivery;
- Communications which promotes the authority's reputation with the aim to connect the authority with the city and its citizens through better engagement, closer collaboration about service design and delivery, and involving people in local decision making;
- Policy, Performance and Analysis which ensures the authority understands and responds appropriately to changes in national legislation. It provides information and data to ensure the authority is targeting its resources in the areas of greatest priority and need. It also helps to performance manage the authority and public sector providers to ensure public services are making a difference. The team is responsible for work on sustainability, managing the authority's complaints and supports key projects aimed at improving the

efficiency and effectiveness of the authority. The team also supports officers, members and partners across the city to deliver better services.

Finance is also included in this operating segment. The Executive Director Finance & Resources has a statutory responsibility under section 151 of the Local Government Act 1972 for the financial administration of the authority's affairs. The Director discharges these responsibilities through various units:

- Financial Services which produces the statutory financial statements and maintains core financial systems on behalf of the authority and provides financial management support and advice to services, schools, partnerships, and the executive together with a central debtors (accounts receivable) and creditors (accounts payable) function;
- Strategic Finance and Procurement which includes medium term revenue and capital budget planning and support to the budget setting process, treasury (borrowing and investments) and insurance management, concessionary fares reimbursement and financial technical support to some citywide and partnership projects. Corporate procurement provides support and advice to services for compliance with the corporate procurement framework, Contract Standing Orders and EU procurement directives. It also provides training and advice for local small businesses and the community and voluntary sector. The section leads a 'category management' approach whereby procurement across significant spending categories is managed as a whole rather than as separate procurement processes within services;
- Audit and Business Risk which provides internal audit, risk management and corporate counter fraud services. The service is responsible for reviewing and providing assurance over corporate governance arrangements, internal controls and the adequacy of risk management and counter fraud arrangements. Also provided is a fraud intelligence service to UK local authorities (NAFN).

### **NHS Trust Managed Section 75 Services**

This operating segment covers the authority's costs for the Section 75 partnership arrangements with the Brighton & Hove Primary Care Trust, the Sussex Community Trust and the Sussex Partnership Foundation Trust for the provision of intermediate care, mental health, substance misuse and AIDs/HIV services to adults across the city.

### **Corporate Budgets**

- The corporate budgets include the financing costs of the authority's debt, concessionary fares and costs of corporate management. It also includes income from the Council Tax freeze grant and savings for some of the authority's new VfM initiatives.

### **Housing Revenue Account (HRA)**

This operating segment covers the management and maintenance of council housing and provision of services to tenants and leaseholders split into three main sections:

- Property and investment which covers asset management, partnership management, contract monitoring and compliance;
- Tenancy services covering sheltered services, estates services and tenancy management;
- Customer access and business improvement which covers policy, performance and resident involvement, income management, rent accounting, leasehold management, car parks and garages and lettings.

The income and expenditure of the authority's operating segments for the year is as follows:

Operating Segment Income and Expenditure Analysis									
2012/13	People	Place	Communities	Finance & Resources	NHS Trust Managed S75 Services	Corporate	Total (exc HRA)	Housing Revenue Account (HRA)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employee expenses	63,666	31,516	10,174	34,848	3,425	1,866	<b>145,495</b>	8,362	<b>153,857</b>
Other service expenses	111,809	52,550	13,861	209,861	18,519	24,990	<b>431,590</b>	20,199	<b>451,789</b>
<b>Total Expenditure</b>	<b>175,475</b>	<b>84,066</b>	<b>24,035</b>	<b>244,709</b>	<b>21,944</b>	<b>26,856</b>	<b>577,085</b>	<b>28,561</b>	<b>605,646</b>
Fees, charges and other service income	(29,339)	(43,375)	(11,726)	(24,465)	(8,824)	(5,220)	<b>(122,949)</b>	(53,427)	<b>(176,376)</b>
Government grants	(156,047)	(2,655)	(238)	(185,254)	0	(30,771)	<b>(374,965)</b>	(62)	<b>(375,027)</b>
<b>Total Income</b>	<b>(185,386)</b>	<b>(46,030)</b>	<b>(11,964)</b>	<b>(209,719)</b>	<b>(8,824)</b>	<b>(35,991)</b>	<b>(497,914)</b>	<b>(53,489)</b>	<b>(551,403)</b>
<b>Net Expenditure</b>	<b>(9,911)</b>	<b>38,036</b>	<b>12,071</b>	<b>34,990</b>	<b>13,120</b>	<b>(9,135)</b>	<b>79,171</b>	<b>(24,928)</b>	<b>54,243</b>

Operating Segment Income and Expenditure Analysis									
2011/12 Comparative Figure	People	Place	Communities	Finance & Resources	NHS Trust Managed S75 Services	Corporate	Total (exc HRA)	Housing Revenue Account (HRA)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employee expenses	64,383	32,009	10,879	35,288	4,257	1,876	<b>148,692</b>	8,615	<b>157,307</b>
Other service expenses	116,357	54,226	14,661	205,186	18,205	29,113	<b>437,748</b>	42,968	<b>480,716</b>
<b>Total Expenditure</b>	<b>180,740</b>	<b>86,235</b>	<b>25,540</b>	<b>240,474</b>	<b>22,462</b>	<b>30,989</b>	<b>586,440</b>	<b>51,583</b>	<b>638,023</b>
Fees, charges and other service income	(33,454)	(44,836)	(12,789)	(17,960)	(8,832)	(9,223)	<b>(127,094)</b>	(49,110)	<b>(176,204)</b>
Government grants	(153,737)	(4,751)	(846)	(186,446)	0	(29,851)	<b>(375,631)</b>	0	<b>(375,631)</b>
<b>Total Income</b>	<b>(187,191)</b>	<b>(49,587)</b>	<b>(13,635)</b>	<b>(204,406)</b>	<b>(8,832)</b>	<b>(39,074)</b>	<b>(502,725)</b>	<b>(49,110)</b>	<b>(551,835)</b>
<b>Net Expenditure</b>	<b>(6,451)</b>	<b>36,648</b>	<b>11,905</b>	<b>36,068</b>	<b>13,630</b>	<b>(8,085)</b>	<b>83,715</b>	<b>2,473</b>	<b>86,188</b>

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

### Employee Expenses

Employee expenses include total salaries, employers' national insurance contributions, employers' pension contributions and indirect employee expenses including pension accounting adjustments.

## 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 and council tax benefits;
- Capital financing costs including interest payments and the costs of unsupported borrowing;
- Internal recharge expenditure.

## 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.

## Government Grants

Government grants include all grants received from central government.

## Reconciliation of Operating Segment Income and Expenditure to the Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of operating segment income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement:

Reconciliation of Operating Segment Income and Expenditure to the Cost of Services in the Comprehensive Income and Expenditure Statement		
	2011/12 £'000	2012/13 £'000
Net expenditure in the operating segment analysis	86,188	54,243
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the operating segment analysis	175,241	194,072
Amounts included in the operating segment analysis which fall outside the cost of services in the Comprehensive Income and Expenditure Statement	18,477	18,299
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>279,906</b>	<b>266,614</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustments for sheltered housing stock. Note 4 provides more detail.

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of operating segment income and expenditure relate to a subjective analysis of the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement:

Reconciliation of Operating Segment Income and Expenditure to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement							
2012/13	Operating Segment Analysis £'000	Corporate Amounts Included in Operating Segment Analysis £'000	Amounts not Reported to Management for Decision Making £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee expenses	153,086	0	119,380	0	272,466	807	273,273
Other service expenses	427,193	0	28,852	0	456,045	0	456,045
Support service and management and administration recharges	3,357	0	45,551	(48,908)	0	0	0
Depreciation, amortisation, revaluation losses and impairment of non current assets and movement in fair value of investment properties	0	0	62,059	0	62,059	1,785	63,844
Interest payments	16,593	(16,593)	0	0	0	16,593	16,593
Precepts and levies	166	(166)	0	0	0	202	202
Payments to Housing Capital Receipts Pool	0	0	0	0	0	880	880
Write out of disposed non current assets	0	0	0	0	0	17,173	17,173
<b>Total Expenditure</b>	<b>600,395</b>	<b>(16,759)</b>	<b>255,842</b>	<b>(48,908)</b>	<b>790,570</b>	<b>37,440</b>	<b>828,010</b>
Fees, charges and other service income	(167,225)	2,995	(6,462)	0	(170,692)	(3,151)	(173,843)
Support service and management and administration recharges	(2,608)	0	(46,300)	48,908	0	0	0
Income from non current assets disposals	0	0	0	0	0	(11,768)	(11,768)
Interest and investment income	(1,292)	1,292	0	0	0	(1,292)	(1,292)
Income from council tax	0	0	0	0	0	(119,755)	(119,755)
Government grants	(375,027)	30,771	(9,008)	0	(353,264)	(159,337)	(512,601)
<b>Total Income</b>	<b>(546,152)</b>	<b>35,058</b>	<b>(61,770)</b>	<b>48,908</b>	<b>(523,956)</b>	<b>(295,303)</b>	<b>(819,259)</b>
<b>Surplus / Deficit on the Provision of Services</b>	<b>54,243</b>	<b>18,299</b>	<b>194,072</b>	<b>0</b>	<b>266,614</b>	<b>(257,863)</b>	<b>8,751</b>

Reconciliation of Operating Segment Income and Expenditure to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement							
2011/12 Comparative Figures	Operating Segment Analysis £'000	Corporate Amounts Included in Operating Segment Analysis £'000	Amounts not Reported to Management for Decision Making £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee expenses	160,753	0	114,687	(3,433)	<b>272,007</b>	(2,267)	<b>269,740</b>
Other service expenses	451,799	(45)	29,360	(6,045)	<b>475,069</b>	40	<b>475,109</b>
Support service and management and administration recharges	9,282	0	48,907	(58,189)	<b>0</b>	0	<b>0</b>
Depreciation, amortisation, revaluation losses and impairment of non current assets and movement in fair value of investment properties	0	0	46,651	0	<b>46,651</b>	2,086	<b>48,737</b>
Interest payments	16,023	(16,023)	0	0	<b>0</b>	16,023	<b>16,023</b>
Precepts and levies	166	(166)	5	(5)	<b>0</b>	199	<b>199</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	<b>0</b>	1,148	<b>1,148</b>
Write out of disposed non current assets	0	0	8	0	<b>8</b>	25,271	<b>25,279</b>
<b>Total Expenditure</b>	<b>638,023</b>	<b>(16,234)</b>	<b>239,618</b>	<b>(67,672)</b>	<b>793,735</b>	<b>42,500</b>	<b>836,235</b>
Fees, charges and other service income	(158,278)	3,474	(5,862)	0	<b>(160,666)</b>	(3,475)	<b>(164,141)</b>
Support service and management and administration recharges	(16,540)	0	(51,132)	67,672	<b>0</b>	0	<b>0</b>
Income from non current asset disposals	0	0	0	0	<b>0</b>	(8,874)	<b>(8,874)</b>
Interest and investment income	(1,386)	1,386	0	0	<b>0</b>	(1,386)	<b>(1,386)</b>
Income from council tax	0	0	0	0	<b>0</b>	(119,304)	<b>(119,304)</b>
Government grants	(375,631)	29,851	(7,383)	0	<b>(353,163)</b>	(175,904)	<b>(529,067)</b>
<b>Total Income</b>	<b>(551,835)</b>	<b>34,711</b>	<b>(64,377)</b>	<b>67,672</b>	<b>(513,829)</b>	<b>(308,943)</b>	<b>(822,772)</b>
<b>Surplus / Deficit on the Provision of Services</b>	<b>86,188</b>	<b>18,477</b>	<b>175,241</b>	<b>0</b>	<b>279,906</b>	<b>(266,443)</b>	<b>13,463</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustments for sheltered housing stock. Note 4 provides more detail.

## 36 Financial Assets and Liabilities – Financial Instruments

### Categories of Financial Instruments

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

Categories of Financial Instruments						
	Long Term			Current		
	1 April 2011 £'000	31 March 2012 £'000	31 March 2013 £'000	1 April 2011 £'000	31 March 2012 £'000	31 March 2013 £'000
<b>Investments</b>						
Loans and receivables	0	0	0	13,103	9,309	12,459
Available for sale financial assets	0	0	0	43,890	43,602	42,987
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56,993</b>	<b>52,911</b>	<b>55,446</b>
<b>Debtors</b>						
Loans and receivables	430	445	1,093	0	0	0
Financial assets carried at contract amounts	0	0	0	46,537	25,622	32,887
<b>Total Debtors</b>	<b>430</b>	<b>445</b>	<b>1,093</b>	<b>46,537</b>	<b>25,622</b>	<b>32,887</b>
<b>Borrowings</b>						
Financial liabilities at amortised cost	(175,717)	(204,825)	(204,905)	(14,469)	(11,830)	(8,213)
<b>Total Borrowings</b>	<b>(175,717)</b>	<b>(204,825)</b>	<b>(204,905)</b>	<b>(14,469)</b>	<b>(11,830)</b>	<b>(8,213)</b>
<b>Creditors</b>						
Financial liabilities at amortised cost	0	0	0	0	0	0
Financial liabilities carried at contract amounts	0	0	0	(48,089)	(44,293)	(37,987)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(48,089)</b>	<b>(44,293)</b>	<b>(37,987)</b>

The above table includes cash equivalent and bank overdraft figures. Liabilities and assets relating to PFI and finance leases are also financial instruments carried in the authority's Balance Sheet, but are excluded from the above table as they are covered by more specific provisions about their recognition, measurement and disclosure. Details can be found in notes 23 and 22 respectively.

The authority experienced a net cash flow surplus of £2.7m in 2012/13, which resulted in an increase in short term investments of £2.2m and a movement in the cleared bank balance of £0.5m.

### Income, Expense, Gains and Losses

The gains and losses in respect of financial instruments that are recognised in the Comprehensive Income and Expenditure Statement are detailed in the following tables:

<b>Gains and Losses in Respect of Financial Instruments</b>				
2012/13	Financial Liabilities	Financial Assets		Total
	Measured at Amortised Cost £'000	Loans and Receivables £'000	Available for Sale Assets £'000	£'000
Interest expense	9,554	0	0	<b>9,554</b>
Fee expense	98	13	48	<b>159</b>
<b>Total expense in the Surplus / Deficit on the Provision of Services</b>	<b>9,652</b>	<b>13</b>	<b>48</b>	<b>9,713</b>
Interest income	0	(313)	(483)	<b>(796)</b>
Fee income	0	(5)	0	<b>(5)</b>
<b>Total income in the Surplus / Deficit on the Provision of Services</b>	<b>0</b>	<b>(318)</b>	<b>(483)</b>	<b>(801)</b>
Gains on revaluation	0	0	(9)	<b>(9)</b>
Losses on revaluation	0	0	5	<b>5</b>
<b>Surplus / Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>(4)</b>	<b>(4)</b>
Gain on derecognition	0	0	0	<b>0</b>
<b>Net (Gain) / Loss for the year</b>	<b>9,652</b>	<b>(305)</b>	<b>(439)</b>	<b>8,908</b>

<b>Gains and Losses in Respect of Financial Instruments</b>				
2011/12 Comparative Figures	Financial Liabilities	Financial Assets		Total
	Measured at Amortised Cost £'000	Loans and Receivables £'000	Available for Sale Assets £'000	£'000
Interest expense	8,949	0	0	<b>8,949</b>
Fee expense	107	12	43	<b>162</b>
<b>Total expense in the Surplus / Deficit on the Provision of Services</b>	<b>9,056</b>	<b>12</b>	<b>43</b>	<b>9,111</b>
Interest income	0	(271)	(559)	<b>(830)</b>
Fee income	0	(5)	0	<b>(5)</b>
<b>Total income in the Surplus / Deficit on the Provision of Services</b>	<b>0</b>	<b>(276)</b>	<b>(559)</b>	<b>(835)</b>
Gains on revaluation	0	0	(2)	<b>(2)</b>
Losses on revaluation	0	0	9	<b>9</b>
<b>Surplus / Deficit Arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>7</b>
Gain on derecognition	0	0	0	<b>0</b>
<b>Net (Gain) / Loss for the year</b>	<b>9,056</b>	<b>(264)</b>	<b>(509)</b>	<b>8,283</b>

The authority has appointed external cash managers to administer part of the authority's investment portfolio. The manager invests in specialist markets such as gilts, certificates of deposit and other negotiable instruments. The net gain on revaluation of £0.04m represents the price appreciation of investments not realised at 31 March 2013.

Fee expense represents the cost of managing the authority's debt and investment portfolios, including internal costs and external brokerage. Fee income represents the contribution received from external bodies in respect of the management of that bodies' cash portfolio.



## 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 instruments using the following assumptions:

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

The fair values calculated are as follows:

### Financial Liabilities

Financial Liabilities						
	1 April 2011		31 March 2012		31 March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Borrowing	(119,647)	(135,517)	(133,816)	(168,566)	(134,076)	(172,812)
Market Borrowing	(65,808)	(69,254)	(75,955)	(96,857)	(75,919)	(98,736)
Bank Overdraft	(4,731)	(4,731)	(6,884)	(6,884)	(3,123)	(3,123)
Other	0	0	0	0	0	0
<b>Total Borrowing</b>	<b>(190,186)</b>	<b>(209,502)</b>	<b>(216,655)</b>	<b>(272,307)</b>	<b>(213,118)</b>	<b>(274,671)</b>
Creditors	(48,089)	(48,089)	(44,293)	(44,293)	(37,987)	(37,987)
<b>Total Financial Liabilities</b>	<b>(238,275)</b>	<b>(257,591)</b>	<b>(260,948)</b>	<b>(316,600)</b>	<b>(251,105)</b>	<b>(312,658)</b>

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						
	1 April 2011		31 March 2012		31 March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	13,103	13,103	9,309	9,309	12,458	12,458
Available for Sale	43,890	43,890	43,602	43,602	42,988	42,988
Debtors	46,537	46,537	25,622	25,622	32,887	32,887
<b>Total Loans and Receivables</b>	<b>103,530</b>	<b>103,530</b>	<b>78,533</b>	<b>78,533</b>	<b>88,333</b>	<b>88,333</b>

Please note the above table includes cash equivalents.

All financial assets are short term at 31st March 2013; therefore the fair value of investments is 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 procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise the losses resulting from this risk. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the 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 prudential indicators for the following three years, limiting the authority's (a) overall borrowing, (b) maximum and minimum exposures to fixed and variable rates, (c) maximum and minimum exposures regarding the maturity structure of its debt and (d) maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These procedures are required to be reported and approved at or before the authority's annual budget meeting at which the council tax is set. 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. This strategy can be found on the authority's website. The strategy was approved at Full Council in March 2012. Actual performance is also reported annually to members.

The key issues within the strategy were:

- the Authorised Limit for 2012/13 was set at £383m. This is the maximum limit of external borrowings and other long term liabilities;
- the Operational Boundary was expected to be £371m. This is the expected level of debt and other long term liabilities during the year;
- the maximum amounts of fixed and variable interest rate exposure based on the authority's gross debt were set at 100% and 40% respectively.

These policies 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 through Treasury Management Practices (TMPs); these practices cover specific areas such as interest rate risk, credit risk and the investment of surplus cash. The TMPs are a requirement of the Code of Practice and are reviewed regularly.

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements set out in the authority's Annual Investment Strategy (AIS). Additional selection criteria are also applied before an investment is made. The AIS was approved at Full Council in March 2012 and a copy of the strategy can be found on the authority's website.

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

- major banks and building societies to have a short-term rating that indicates the highest credit quality;
- building societies to have an asset base in excess of £5 billion;
- money market funds to have a rating equal to "AAA" (triple A).

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

During the year Full Council considered and approved a change in the minimum criteria set out in the AIS. With effect from 20 July 2012 members agreed a relaxation of the minimum credit quality rating from "highest" to

“good”. This change provided a wider range of investment opportunities whilst at the same time continuing with the underlying principle of strong security of investments.

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 financial years, adjusted to reflect current market conditions. The table below is based on actual sums invested whereas the financial assets table, 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 2013	Historical Experience of Default	Adjustment for Market Conditions at 31 March 2013	Estimated Maximum Exposure to Default
	£'000			£'000
	(a)	(b)	(c)	(a * c)
<b>Deposits with banks and financial institutions</b>				
AAA rated counterparties	42,977	0.00%	0.00%	0
AA rated counterparties	0	0.02%	0.02%	0
A rated counterparties	12,451	0.09%	0.09%	11
Debtors	32,887	7.62%	7.62%	2,505
<b>Total</b>	<b>88,315</b>			<b>2,516</b>

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 council does not generally allow credit for its customers; however, an element of the outstanding debtors 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 2012 £'000	31 March 2013 £'000
Less than 3 months	3,998	3,889
Between 3 and 6 months	1,227	4,618
Between 9 and 12 months	1,126	4,324
More than 12 months	4,410	4,170
<b>Total</b>	<b>10,761</b>	<b>17,001</b>

## Liquidity Risk

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.

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

## Refinancing and Maturity Risk

The 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 prudential indicator limits for (a) the maturity structure of debt and (b) investments made for a period greater than one year are the two key parameters used to address this risk. The 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 respectively:

Maturity Analysis of Financial Liabilities			
	1 April 2011 £'000	31 March 2012 £'000	31 March 2013 £'000
Less than 1 year	(6,000)	0	0
Between 1 and 2 years	0	0	(3,900)
Between 2 and 5 years	0	(9,900)	(7,023)
Between 5 and 10 years	(5,456)	(6,479)	(16,662)
Between 10 and 15 years	(38,763)	(48,256)	(37,051)
More than 15 years	(135,527)	(143,191)	(143,191)
<b>Total</b>	<b>(185,746)</b>	<b>(207,826)</b>	<b>(207,827)</b>

Maturity Analysis of Financial Assets			
	1 April 2011 £'000	31 March 2012 £'000	31 March 2013 £'000
Less than 1 year	56,984	52,837	55,428
More than 1 year	0	0	0
<b>Total</b>	<b>56,984</b>	<b>52,837</b>	<b>55,428</b>

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

## Market Risk

### a) Interest rate risk

The 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 Surplus / Deficit on the Provision of Services will rise;
- borrowings at fixed rates - for long-term borrowings the fair value of the liabilities borrowings will fall;
- investments at variable rates - the interest income credited to the Surplus / Deficit on the Provision of Services will rise;
- investments at fixed rates - for long-term investments the fair value of the assets will fall.

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

At 31 March 2013 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 Surplus / Deficit on the Provision of Services. The impact of a 1% rise in interest rates on fair value would be a decrease of £43.6m for borrowings and no impact on the fair value of investments, as investments are all for less than one year.

A 1% fall in interest rates would have an opposite impact with an increase in fair value of borrowings of £51.8m and no impact on the fair value of investments, as investments are all for less than one year.

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

#### b) Price risk

The authority does not invest in equity shares.

#### c) Foreign exchange risk

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

## 37 Debtors

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

Short Term Debtors			
	1 April 2011	31 March 2012	31 March 2013
	£'000	£'000	£'000
Central government bodies	12,032	11,160	5,880
Other local authorities	16,423	2,018	1,735
NHS bodies	1,949	1,086	2,454
Public corporations and trading funds	5	0	0
Other entities and individuals	24,825	22,690	29,621
<b>Total Short Term Debtors</b>	<b>55,234</b>	<b>36,954</b>	<b>39,690</b>

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

Long Term Debtors			
	1 April 2011	31 March 2012	31 March 2013
	£'000	£'000	£'000
Mortgages – sold council properties	50	43	30
Mortgages – other	2	1	0
Improvement loans	33	33	28
Car loans	118	104	131
Deferred debtors	227	264	242
Finance lease	6,054	6,072	6,056
Housing Local Delivery Vehicle - set up costs	0	0	662
<b>Total Long Term Debtors</b>	<b>6,484</b>	<b>6,517</b>	<b>7,149</b>

## 38 Creditors

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

Short Term Creditors			
	1 April 2011 £'000	31 March 2012 £'000	31 March 2013 £'000
Central government bodies	(12,659)	(8,006)	(8,544)
Other local authorities	(8,019)	(8,018)	(6,050)
NHS bodies	(1,090)	(748)	(449)
Public corporations and trading funds	(188)	(136)	(13)
Other entities and individuals	(46,614)	(45,158)	(39,917)
<b>Total Short Term Creditors</b>	<b>(68,570)</b>	<b>(62,066)</b>	<b>(54,973)</b>

## 39 External Audit Costs

In 2012/13, the authority incurred the following costs in relation to the audit of the Statement of Accounts, and certification of grant claims provided by the authority's external auditors:

External Audit Costs		
	2011/12 £'000	2012/13 £'000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor	351	210
Fees payable to the External Auditor for the certification of grant claims and returns	52	24
<b>Total</b>	<b>403</b>	<b>234</b>

Work relating to 2012/13 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 2012/13 audit fixed fee (£0.028 re 2011/12).

## 40 On Street Parking Surplus

Decriminalised Parking Enforcement (DPE) of on street parking was introduced in July 2001 as part of the Local Transport Plan, with the aim of reducing congestion and improving traffic management. The costs relating to parking services are included in the highways and transportation cost of service within the Comprehensive Income and Expenditure Statement. The surplus arising from on street parking is used to defray qualifying expenditure. The use of DPE surpluses is governed by section 55 of the Road Traffic Regulation Act 1984, as amended from October 2004 by section 95 of the Traffic Management Act 2004. This specifies the use to which DPE surpluses may be put.

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

On Street Parking Surplus		
	2011/12 £'000	2012/13 £'000
<b>On Street Parking Surplus</b>	<b>(9,527)</b>	<b>(10,947)</b>
<b>Utilised to Fund:</b>		
Public transport	10,807	11,268
Borrowing costs for transport capital expenditure	3,383	3,156
<b>Total Qualifying Expenditure</b>	<b>14,190</b>	<b>14,424</b>

## 41 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:

Publicity		
	2011/12	2012/13
	£	£
Recruitment Advertising	203,190	242,950
Housing - General Fund	13,674	14,256
Housing - HRA	8,813	4,430
Public Transport	60,590	83,342
Projects & Venues	182,396	185,643
Tourism	169,892	136,094
Children Social Care	20,314	37,862
Waste Collection (including changing collection rounds, kerbside collection / recycling)	80,620	44,751
Other Publicity and Marketing	210,185	143,872
<b>Total</b>	<b>949,674</b>	<b>893,200</b>

## 42 Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The CRC Energy Efficiency scheme commenced in April 2010; the first reporting year under the scheme was 2011/12. The scheme is currently in its introductory phase.

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.

The obligating event occurs when participating authorities have produced carbon dioxide emissions that require it to purchase and surrender allowances in accordance with the CRC Scheme's requirements at the reporting date. At 31 March 2013, the authority has an obligation to meet its CRC responsibilities of £0.285m (£0.271m at 31 March 2012) and has set aside this amount as a provision. This obligation is based on a CO<sub>2</sub> usage of 23,750 tonnes at £12 per tonne; the CO<sub>2</sub> usage is based on the authority's carbon footprint as at 2012/13.

Following the end of 2012/13, the authority will submit an annual report on its carbon dioxide emissions for the 2012/13 financial year by the last working day in July 2013. The retrospective purchase of allowances will take place from 1 June 2013 with a requirement for the authority to surrender allowances to the scheme by the last working day in October 2013 in proportion to its reported emissions for the preceding scheme year and in accordance with the scheme requirements.

## 43 Trust Funds

The authority acts as trustee for various trust funds. The balances on these accounts 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	Net Current Assets £'000	Trust Fund	Revenue Balance 01 April 2012 £'000	2012/13 Expenditure £'000	2012/13 Income £'000	Revenue Balance 31 March 2013 £'000
1,169	109	Brighton Fund	(94)	32	(47)	(109)
3,313	16	Gorham's Gift	(3)	52	(53)	(4)
640	118	Hedgecock Bequest	(23)	14	(26)	(35)
310	32	Oliver and Johannah Brown Fund	(13)	7	(13)	(19)
		Other Trusts				
374	27	Education	(16)	6	(15)	(25)
122	49	Music Trust	(45)	1	(5)	(49)
250	130	Various	(93)	0	(12)	(105)
92	602	Friends of the Royal Pavilion	(545)	458	(515)	(602)
<b>6,270</b>	<b>1,083</b>	<b>Total</b>	<b>(832)</b>	<b>570</b>	<b>(686)</b>	<b>(948)</b>

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 2013. Net current assets equals cash plus investments in the authority. The authority acts as the sole trustee in respect of all funds listed with the exceptions of Gorham's Gift and the Friends of the Royal Pavilion.

### Brighton 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 £2.605m as at July 2009.

### Hedgecock Bequest

The Hedgecock 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.

### 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.

### Friends of the Royal Pavilion

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





**Brighton & Hove City Council**

**Single Entity  
Supplementary Statements  
2012/13**

# Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The authority charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Year Ended 31 March 2012 £'000		Year Ended 31 March 2013 £'000
	<b>Expenditure</b>	
11,912	Repairs and maintenance	10,533
12,649	Supervision and management	13,352
235	Rents, rates, taxes and other charges	229
4,652	Negative HRA subsidy payable	0
3,866	Depreciation, impairment and downward valuation of non current assets	12,722
50	Debt management costs	57
65	Revenue expenditure funded from capital under statute	0
134	Movement in allowance for bad debts	110
18,081	Exceptional Item in respect of HRA self financing settlement	0
<b>51,644</b>	<b>Total Expenditure</b>	<b>37,003</b>
	<b>Income</b>	
(44,131)	Dwelling rents	(46,829)
(1,336)	Non dwelling rents	(1,492)
(3,463)	Charges for services and facilities	(4,414)
0	Subsidy receivable	(62)
<b>(48,930)</b>	<b>Total Income</b>	<b>(52,797)</b>
<b>2,714</b>	<b>Net Expenditure /(Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(15,794)</b>
222	HRA share of corporate and democratic core	226
<b>2,936</b>	<b>Net Expenditure / (Income) of HRA Services</b>	<b>(15,568)</b>
	<b>Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement</b>	
3,970	(Gain) / Loss on sale of HRA non current assets	4,972
(15)	Investment property net income	(15)
3,504	Interest payable and similar charges	5,262
(74)	Interest and investment income	(32)
(445)	Capital grants and contributions	(1,103)
(101)	Pensions interest cost and expected return on pensions assets	33
<b>9,775</b>	<b>(Surplus) or Deficit for the year on HRA Services</b>	<b>(6,451)</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustments for sheltered housing stock. Note 4 to the main financial statements provides more detail.

# Movement on the Housing Revenue Account Statement

The Movement on the Housing Revenue Account (HRA) Statement takes the Increase / Decrease in the year on the HRA and reconciles it to the Surplus / Deficit for the year on the HRA Balance. The Surplus / Deficit on the HRA Income and Expenditure Statement shows the true economic cost of providing the service. This is different from the statutory amounts required to be charged to the HRA for dwellings rent setting purposes.

2011/12 £'000		2012/13 £'000
(4,700)	Balance on the HRA as at the end of the previous reporting period	(6,720)
9,775	(Surplus) / Deficit on the HRA Income and Expenditure Statement	(6,451)
(11,826)	Adjustments between accounting basis and funding basis under the legislative framework	3,804
(2,051)	Net (Increase) / Decrease before transfers to or from reserves	(2,647)
31	Transfers to / (from) HRA earmarked reserves	1,036
0	Contribution from HRA balance to fund capital expenditure	2,270
(2,020)	(Increase) / Decrease in year on the HRA	659
(6,720)	Balance on the HRA as at end of current reporting period	(6,061)

Please note the comparative figures in the above table have been restated to reflect the prior period adjustments for sheltered housing stock. Note 4 to the main financial statements provides more detail.

# Notes to the Housing Revenue Account (HRA) Financial Statements

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## I HRA Self Financing

The HRA has been part of the national housing subsidy system through which council housing rents are standardised across the country. The subsidy system used a national formula to set guideline rents for each property together with allowances for management, maintenance and capital charges based on notional costs. The subsidy system was introduced in 1990 and was subsequently abolished by the Localism Act 2011. It has been replaced with a new system of self financing which came into effect from 1 April 2012. Under self financing the authority is no longer required to transfer its resources to central government, but in return was required to take on additional debt, called the 'self financing settlement', at a level which is sustainable in the long term.

The objectives of self financing are to give local authorities the power to make the best use of their housing stock, in a way which best meets the needs of individual households in their local area and to enable tenants and local taxpayers to hold their landlord to account for the cost and quality of their housing. Self financing will provide additional resources from the retention of all council housing rental income and through greater control locally, will enable longer term planning to improve the management and maintenance of housing stock.

The ring-fencing of the HRA remains under self financing; however there are some technical changes to the rules that govern the operation of the ring fence to take account of the self financing settlement payment and the new approaches to depreciation and debt management within the HRA.

Under the old system, the authority was required to place some of its income each year into a Major Repairs Reserve, at a level that was at least the level of the Major Repairs Allowance (i.e. the amount the government assumed the authority needed to spend on capital works when it calculated subsidy entitlement) which could then be spent on major repairs or on repaying housing debt; this ensured that the authority made appropriate provision for capital works.

Under self financing, the principles of the Major Repairs Reserve are retained; however, there is no Major Repairs Allowance (MRA). Therefore the authority must now make 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 housing stock plus an amount for the fabric of the building.

To assist local authorities in the change to the statutory accounting arrangements, 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 have been introduced under the Item 8 Determination to allow a five year transition period whereby local authorities are able to:

- Use a notional 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 2012/13 and each of the next four years;
- Utilise a credit transfer for any excess of housing stock (council dwellings) depreciation above an amount equal to the notional MRA;
- Reverse revaluation and impairment losses on housing stock (council dwellings) out of the HRA where the HRA revaluation reserve cannot meet the loss.

In 2012/13, the authority has opted to use the transitional arrangements in respect of revaluation and impairment losses. However, as the 2012/13 actual depreciation charge is lower than the notional major repairs allowance, the authority has not applied an adjusting credit transfer in respect of depreciation.

There are no such transitional arrangements in place for depreciation, impairment and revaluation losses on non council dwellings; from this reporting period, these charges are real charges to the HRA.

In the reporting period, the authority received £0.062m income which represented the balance of subsidy due to the authority following the final settlement from the CLG.

## 2 Adjustments between Accounting Basis and Funding Basis under Regulations

The following table shows an analysis of the amounts included in the Adjustment between the Accounting Basis and Funding Basis under Regulations included in the Movement on the Housing Revenue Account Statement. It takes the Increase / Decrease in the year on the HRA and reconciles it to the Surplus / Deficit for the year on the Housing Revenue Account service:

2011/12 £'000		2012/13 £'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>		
7,525	Charges for impairment of non current assets	0
(2,842)	Revaluation losses on Property, Plant and Equipment	(4,926)
445	Capital grants and contributions applied	1,089
(65)	Revenue expenditure funded from capital under statute	0
(10,744)	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	(13,701)
(18,081)	HRA self financing settlement	0
3,498	Capital Expenditure charged to the HRA	12,636
191	Voluntary provision for the financing of capital investment	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>		
0	Capital grants and contributions unapplied credited to the HRA Income and Expenditure Statement	14
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>		
6,774	Transfer of sale proceeds credited as part of the gain/loss on disposal to the HRA Income and Expenditure Statement	8,729
(11)	Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(33)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE</b>		
9,587	Reversal of Major Repairs Allowance credited to the HRA	0
(8,549)	Use of the Major Repairs Allowance to finance new capital expenditure	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>		
293	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	5
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>		
52	Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>		
(788)	Reversal of items relating to retirement benefits debited or credited to the HRA Income and Expenditure Statement	(856)
889	Employer's pensions contributions and direct payments to pensioners payable in the year	846
<b>(11,826)</b>	<b>Total</b>	<b>3,804</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustments for sheltered housing stock. Note 4 to the main financial statements provides more detail.

### 3 Transfers to / from Earmarked Reserves

In 2012/13, £0.752m was transferred from the HRA balance to fund HRA earmarked reserves (£0.031m in 2011/12). The following table shows an analysis of the amounts held in HRA earmarked reserves and the amounts set aside in year and the amounts posted back from earmarked reserves to meet expenditure in 2012/13:

Transfers to / from Earmarked Reserves							
	Balance at 1 April 2011	Transfers From 2011/12	Transfers To 2011/12	Balance at 31 March 2012	Transfers From 2012/13	Transfers To 2012/13	Balance at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Reserves	(1,501)	1,589	(119)	(31)	56	(1,724)	(1,699)
Single Status Reserve	0	0	0	0	0	(159)	(159)
Auto Meter Readers Reserve	(348)	0	0	(348)	248	0	(100)
Estates Development Budget Reserve	(234)	88	0	(146)	0	(100)	(246)
Revenue Grant Carry Forwards	(27)	0	0	(27)	0	0	(27)
Restructure Redundancy Reserve	(388)	0	0	(388)	0	0	(388)
<b>Total</b>	<b>(2,498)</b>	<b>1,677</b>	<b>(119)</b>	<b>(940)</b>	<b>304</b>	<b>(1,983)</b>	<b>(2,619)</b>

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

The Single Status reserve holds set aside resources to meet future potential costs relating to pay and grading matters, which cannot be estimated with any certainty at the Balance Sheet date.

The Automatic Meter Readers reserve holds earmarked resources to fund the cost of automatic meter readers which are being introduced on housing sites that fall within the gas and electric contracts. They are being purchased in order to provide more accurate meter readings, support active management of usage and to support the authority's commitment to reduce carbon emissions and meet the requirements of the Carbon Reduction Commitment Energy Efficiency Scheme.

The Estates Development Budget reserve holds resources set aside to deliver resident led improvement priorities for an area. Each idea is considered by an elected panel of resident representatives.

The Revenue Grant Carry Forward reserve holds revenue grants received by the authority that have no condition attached for which expenditure has not yet been incurred.

The Restructure Redundancy reserve funds approved redundancy payments and associated pension payments.

## 4 Housing Stock

The council was responsible for managing 11,858 dwellings at 31 March 2013 (12,095 at 31 March 2012). The stock was made up as follows:

Housing Stock						
	0 Bed	1 Bed	2 Bed	3 Bed	4+ Bed	Total
<b>2012/13</b>						
Bedsits	710	0	0	0	0	710
Bungalows	26	175	31	21	1	254
Flats	0	3,411	2,933	201	0	6,545
Houses	0	11	1,500	2,416	255	4,182
Maisonettes	0	0	99	62	6	167
<b>Total</b>	<b>736</b>	<b>3,597</b>	<b>4,563</b>	<b>2,700</b>	<b>262</b>	<b>11,858</b>
<b>2011/12</b>						
Bedsits	773	0	0	0	0	773
Bungalows	26	175	31	22	1	255
Flats	1	3,494	2,983	203	0	6,681
Houses	0	12	1,534	2,414	256	4,216
Maisonettes	0	0	101	63	6	170
<b>Total</b>	<b>800</b>	<b>3,681</b>	<b>4,649</b>	<b>2,702</b>	<b>263</b>	<b>12,095</b>

The following table summarises the movement in housing stock within the reporting period:

Movement in Housing Stock		
	2011/12	2012/13
<b>Stock at 1 April</b>	12,283	12,095
Sales	(33)	(25)
Transferred to Brighton & Hove Seaside Community Homes Ltd	(150)	(212)
Conversions	(5)	0
<b>Stock at 31 March</b>	<b>12,095</b>	<b>11,858</b>

Please note the above table shows a reduction of 212 properties in relation to Brighton & Hove Seaside Community Homes Ltd. However, following conversions, the actual number of properties which transferred was 201.

The vacant possession value in respect of council dwellings in the HRA at 1 April 2013 was £1,593m as valued by the valuers, Wilks Head & Eve, compared with the value of £511m for its existing use as social housing. The difference of £1,082m represents the cost to the government of providing council housing at less than open market rents.

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 fair value over the year for HRA non current asset:

2012/13	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Assets Under Construction £'000	Total PPE £'000	Investment Properties £'000	Intangible Assets £'000	Total £'000
<b>Balance at 1 April 2012</b>								
Gross carrying amount	538,062	16,652	637	2,119	557,470	169	356	557,995
Accumulated depreciation	(8,202)	(525)	(625)	0	(9,352)	0	(107)	(9,459)
<b>Net Carrying Amount at 1 April 2012</b>	<b>529,860</b>	<b>16,127</b>	<b>12</b>	<b>2,119</b>	<b>548,118</b>	<b>169</b>	<b>249</b>	<b>548,536</b>
<b>Capital Additions</b>								
Additions	26,807	371	209	1,475	28,862	0	72	28,934
<b>Asset Disposals</b>								
Derecognition - disposals	(13,902)	0	0	0	(13,902)	0	0	(13,902)
Derecognition - disposals (depreciation)	201	0	0	0	201	0	0	201
<b>Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement</b>								
Revaluation increases	0	75	0	0	75	0	0	75
Revaluation re disposed assets	0	0	0	0	0	0	0	0
Depreciation written out	0	111	0	0	111	0	0	111
Revaluation (losses) / reversals	0	(201)	0	0	(201)	(3)	0	(204)
Impairment (losses) / reversals	0	0	0	0	0	0	0	0
<b>Depreciation, Revaluation Loss and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement</b>								
Depreciation charge	(7,439)	(280)	(6)	0	(7,725)	0	(71)	(7,796)
Revaluation (losses) / reversals	(4,926)	0	0	0	(4,926)	0	0	(4,926)
Impairment (losses) / reversals	0	0	0	0	0	0	0	0
<b>Other Transactions</b>								
Other movements in gross carrying amount	(1,004)	0	0	1,004	0	0	0	0
Other movements in depreciation	0	0	0	0	0	0	0	0
<b>Net Carrying Amount at 31 March 2013</b>	<b>529,597</b>	<b>16,203</b>	<b>215</b>	<b>4,598</b>	<b>550,613</b>	<b>166</b>	<b>250</b>	<b>551,029</b>
<b>Comprising</b>								
Gross carrying amount	537,036	16,896	846	4,598	559,376	166	428	559,970
Accumulated depreciation	(7,439)	(693)	(631)	0	(8,763)	0	(178)	(8,941)
<b>Net Carrying Amount at 31 March 2013</b>	<b>529,597</b>	<b>16,203</b>	<b>215</b>	<b>4,598</b>	<b>550,613</b>	<b>166</b>	<b>250</b>	<b>551,029</b>



2011/12 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
<b>Balance at 1 April 2011</b>								
Gross carrying amount	528,893	15,515	630	1,868	546,906	168	272	547,346
Accumulated depreciation	(8,174)	(395)	(582)	0	(9,151)	0	(53)	(9,204)
<b>Net Carrying Amount at 1 April 2011</b>	<b>520,719</b>	<b>15,120</b>	<b>48</b>	<b>1,868</b>	<b>537,755</b>	<b>168</b>	<b>219</b>	<b>538,142</b>
<b>Capital Additions</b>								
Additions	23,138	974	7	251	24,370	0	84	24,454
<b>Asset Disposals</b>								
Derecognition - disposals	(10,744)	0	0	0	(10,744)	0	0	(10,744)
<b>Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement</b>								
Revaluation increases	0	297	0	0	297	1	0	298
Revaluation re disposed assets	144	0	0	0	144	0	0	144
Depreciation written out	0	113	0	0	113	0	0	113
Revaluation (losses) /reversals	0	(5)	0	0	(5)	0	0	(5)
Impairment (losses) / reversals	0	0	0	0	0	0	0	0
<b>Depreciation, Revaluation Loss and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement</b>								
Depreciation charge	(8,202)	(250)	(43)	0	(8,495)	0	(54)	(8,549)
Revaluation (losses) /reversals	5,228	(41)	0	0	5,187	0	0	5,187
Impairment (losses) / reversals	(423)	(81)	0	0	(504)	0	0	(504)
<b>Other Transactions</b>								
Other movements in gross carrying amount	0	0	0	0	0	0	0	0
Other movements in depreciation	0	0	0	0	0	0	0	0
<b>Net Carrying Amount at 31 March 2012</b>	<b>529,860</b>	<b>16,127</b>	<b>12</b>	<b>2,119</b>	<b>548,118</b>	<b>169</b>	<b>249</b>	<b>548,536</b>
<b>Comprising</b>								
Gross carrying amount	538,062	16,652	637	2,119	557,470	169	356	557,995
Accumulated depreciation	(8,202)	(525)	(625)	0	(9,352)	0	(107)	(9,459)
<b>Net Carrying Amount at 31 March 2012</b>	<b>529,860</b>	<b>16,127</b>	<b>12</b>	<b>2,119</b>	<b>548,118</b>	<b>169</b>	<b>249</b>	<b>548,536</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustment for sheltered housing stock. Note 4 to the main financial statements provides more detail.

## 5 Major Repairs Reserve

The Major Repairs Reserve controls 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 expenditure on these assets. The following table analyses the movements on the Major Repairs Reserve:

Major Repairs Reserve		
	2011/12 £'000	2012/13 £'000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Depreciation on Housing Stock	(8,202)	(7,439)
Depreciation on Other HRA Non Current Assets	(347)	(357)
<b>Total</b>	<b>(8,549)</b>	<b>(7,796)</b>
Contributions to Capital Expenditure on Housing Stock (Major Repairs Allowance)	9,587	7,796
Transfer from the HRA (Depreciation less than the Major Repairs Allowance on Housing Stock)	(1,385)	0
Transfer to the HRA (Depreciation on Other HRA Non Current Assets)	347	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

## 6 Capital Expenditure and Financing

The authority incurred £28.934m of capital expenditure in respect of the HRA in 2012/13. The table below shows the resources that have been used to finance the capital expenditure incurred and how it was financed.

Capital Expenditure and Financing						
	Land, Houses and Other Property £'000	ICT Equipment £'000	2011/12 Total £'000	Land, Houses and Other Property £'000	ICT Equipment £'000	2012/13 Total £'000
Capital Expenditure	24,435	84	24,519	28,862	72	28,934
<b>Total Capital Expenditure</b>	<b>24,435</b>	<b>84</b>	<b>24,519</b>	<b>28,862</b>	<b>72</b>	<b>28,934</b>
<b>Funded by:</b>						
Borrowing	5,041	84	5,125	15	0	15
Major Repairs Reserve	9,587	0	9,587	7,796	0	7,796
Revenue contributions	3,433	0	3,433	12,562	72	12,634
Contribution from Reserves	1,589	0	1,589	56	0	56
Contribution from HRA Balance	0	0	0	2,270	0	2,270
Capital Receipts	4,275	0	4,275	5,074	0	5,074
Capital Grants	445	0	445	1,089	0	1,089
Revenue Expenditure Funded from Capital under Statute	65	0	65	0	0	0
<b>Total Funding</b>	<b>24,435</b>	<b>84</b>	<b>24,519</b>	<b>28,862</b>	<b>72</b>	<b>28,934</b>

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

Capital Receipts		
	2011/12 £'000	2012/13 £'000
Right to Buy Sales of Houses and Flats	1,528	2,150
Mortgages Repayments	7	13
Discount Repayments	14	16
Transferred properties to Brighton & Hove Seaside Community Homes Ltd	6,462	6,563
<b>Total</b>	<b>8,011</b>	<b>8,742</b>

## 7 Impairment and Revaluation Losses

During 2012/13, the authority's valuers, Wilks Head and Eve, carried out a valuation of council dwellings as at 1 April 2012 which showed a reduction in the value of council dwellings resulting in a revaluation loss of £11.142m. The revaluation loss has been charged to the HRA Income and Expenditure Statement.

The revaluation losses charged to the HRA Income and Expenditure Statement also included £8.001m of accumulated depreciation on housing stock and other non current assets that has been reversed as part of the revaluation undertaken in 2011/12.

The authority appointed new external valuers for the housing stock during the reporting periods who, as part of their valuation work in 2012/13, have advised that the sheltered housing stock should attract the same social housing adjustment as the general housing stock. This has led to a further downward valuation of the housing stock of £1.785m.

A further impairment review report was commissioned by the authority which reported no further significant reductions in value during 2012/13.

The revaluation loss of £0.201m on other land and buildings relates to revaluations for garages and car parking spaces. This loss has been charged to the HRA Income and Expenditure Statement.

The following table shows the impairment and revaluation losses in respect of HRA assets:

Impairment and Revaluation Losses		
	2011/12 £'000	2012/13 £'000
<b>Impairment Losses</b>		
Write out of non current assets	504	0
<b>Total Impairment Losses</b>	<b>504</b>	<b>0</b>
<b>Revaluation Losses</b>		
Reduction in value of council dwellings	4,403	4,926
Reduction in value of other land and buildings	47	204
Reversal of previous revaluation losses	(9,637)	0
<b>Total Revaluation Losses</b>	<b>(5,187)</b>	<b>5,130</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustments for sheltered housing stock. Note 4 to the main financial statements provides more detail.

## 8 Depreciation and Amortisation Charges

The HRA is charged with depreciation to reflect the consumption of HRA assets over their useful life. The method of calculation of depreciation relating to council dwellings is based on straight line depreciation, consistent with the other classes of non current assets held by the authority.

In 2012/13, the depreciation charged on HRA assets was £7.796m (£8.549m 2011/12). The charge for depreciation is transferred to the Major Repairs Reserve. The balance held in the Major Repairs Reserve is then utilised to fund the HRA capital programme.

The following table shows the depreciation charged on HRA assets and the level utilised to fund the capital programme:

<b>Depreciation and Amortisation</b>		
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
ICT Software	54	71
Council Dwellings	8,202	7,439
Other Land and Buildings	250	280
Vehicles, Plant, Furniture and Equipment	43	6
<b>Total Depreciation</b>	<b>8,549</b>	<b>7,796</b>

## 9 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 2012/13 was £7.664m. The following table shows the breakdown of this adjustment:

<b>Item 8 Credit and Item 8 Debit (General) Determination</b>		
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Asset Charges</b>		
Impairment	504	0
Revaluation losses	4,450	5,130
Reversal of previous revaluation losses	(9,637)	0
Revenue expenditure funded from capital under statute	65	0
Depreciation charge in respect of council dwellings	8,202	7,439
Other depreciation charges	347	357
<b>Total Capital Asset Charges</b>	<b>3,931</b>	<b>12,926</b>
Actual interest charged on HRA debt	(3,504)	(5,262)
<b>Capital Asset Charges Accounting Adjustment</b>	<b>427</b>	<b>7,664</b>

Please note the comparative figures in the above table have been restated to reflect the prior period adjustment for sheltered housing stock. Note 4 to the main financial statements provides more detail.

## 10 Rent Arrears

At 31 March 2013, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £1.260m (£1.211m 31 March 2012). This represents a reduction in arrears as a proportion of gross rental income from 2.7% to 2.66%.

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

<b>Rent Arrears and other Bad Debts written off</b>		
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
<b>Impairment at 1 April</b>	<b>1,109</b>	<b>1,075</b>
Change in Impairment charged to the HRA	134	110
Rent Arrears and other Bad Debts written off	(168)	(169)
<b>Impairment for Bad Debts at 31 March</b>	<b>1,075</b>	<b>1,016</b>

## 11 Share of Contributions to the Pensions Reserve

In accordance with IAS 19 the HRA Income and Expenditure Statement includes £0.033m, for its share of the contribution to the Pensions Reserve. The costs calculated by the pensions' actuary include current service cost, interest on pension liability, and expected return on assets. The HRA share is calculated by apportioning costs based on employers contributions charged to the HRA for the year. In accordance with proper accounting practice, the contribution is then removed by crediting the Movement on the Housing Revenue Account Statement to ensure the HRA is only charged with pension fund contributions payable for the year.

# Collection Fund Statement

The Collection Fund Statement is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the authority, as a billing authority, in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non domestic rates.

Year Ended 31 March 2012		Year Ended 31 March 2013	
£'000		£'000	£'000
(115,747)	<b>Amounts required by statute to be credited to the Collection Fund</b>		
	Council Tax		(116,724)
(24,596)	Transfers from General Fund		
(85)	- Council Tax Benefits	(24,350)	
	- Transitional Relief	(85)	
(24,681)			(24,435)
(96,163)	Income Collectable from Business Ratepayers		(100,075)
	Contributions		
0	- Towards previous year's Collection Fund Deficit		(1,000)
<b>(236,591)</b>	<b>Total Amount required by statute to be credited to the Collection Fund</b>		<b>(242,234)</b>
	<b>Amounts required by statute to be debited to the Collection Fund</b>		
	Precepts and Demands from Major Preceptors and the Authority		
119,835	- Brighton & Hove City Council	119,469	
13,136	- Sussex Police & Crime Commissioner	13,095	
7,768	- East Sussex Fire Authority	7,744	
140,739			140,308
	Business Rates		
95,829	- Payment to National Pool	99,741	
419	- Costs of Collection	418	
96,248			100,159
	Impairment of Debts/Appeals		
808	- Write offs of Uncollectable Amounts	795	
(581)	- Allowance for Impairment	(363)	
227			432
<b>237,214</b>	<b>Total Amount required by statute to be debited to the Collection Fund</b>		<b>240,899</b>
<b>623</b>	<b>Movement on Fund Balance</b>		<b>(1,335)</b>
<b>215</b>	<b>Opening Fund Balance</b>		<b>838</b>
<b>838</b>	<b>Closing Fund Balance</b>		<b>(497)</b>

# Notes to the Collection Fund Statement

## 1 Council Tax

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

Council Tax Base				
Band	Estimated no. of Chargeable Dwellings	Estimated no. of Chargeable Dwellings after Discounts	Band Ratio	Band D Equivalent Dwellings
Band A*	6	5.25	5/9	2.92
Band A	24,734	20,896.00	6/9	13,930.67
Band B	26,716	23,546.05	7/9	18,313.59
Band C	30,649	27,991.30	8/9	24,881.16
Band D	18,089	16,737.85	9/9	16,737.85
Band E	10,488	9,795.35	11/9	11,972.09
Band F	4,296	4,049.50	13/9	5,849.28
Band G	2,541	2,400.70	15/9	4,001.17
Band H	135	125.10	18/9	250.20
				<b>95,938.93</b>
Less provision for losses in collection				(1,337.48)
<b>Tax Base For 2012/13</b>				<b>94,601.45</b>
<b>Tax Base For 2011/12</b>				<b>94,897.89</b>

\* Entitled to disabled relief reduction.

The estimated gross council tax yield (before the provision for losses in collection) for 2012/13 of £142.292m was based on Band D equivalent dwellings of 95,938.93 multiplied by the average Band D council tax charge of £1,483.15. The actual gross council tax yield for 2012/13 of £141.941m is equivalent to a decrease of 237 Band D dwellings. The estimated and actual tax base figures will vary due to a number of factors; these include the effects of banding appeals, new properties and entitlements to exemptions and discounts. The main reason for the decrease this year is higher than anticipated entitlements to exemptions.

## 2 National Non Domestic Rates

The authority is responsible for collecting non domestic rates in Brighton and Hove. Non domestic rates are charged on the basis of the rateable value for business premises multiplied by a national non domestic multiplier. The total non domestic rateable value at 31 March 2013 was £262.585m (£266.893m at 31 March 2012). The non domestic multiplier for 2012/13 was 45.8p and the small business non domestic multiplier was 45.0p. The non domestic rate charge, less transitional relief, empty property relief, charity relief and successful appeals against the rateable value, is paid into a national pool for redistribution by central government. The amount payable to the national pool for 2012/13 was £99.741m (£95.829m for 2011/12). The authority received £102.387m in 2012/13 (£85.871m in 2011/12) from the national non domestic rate pool.

A row of colorful beach huts in Brighton, with a sun lounger and a beach umbrella in the foreground.

**Brighton & Hove City Council**  
**Statement of Accounting Policies**  
**2012/13**



# Statement of Accounting Policies

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## 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 2003 Act.

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 interpretations or 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 of net worth 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 interpretations or adaptations to fit the public sector are detailed in the Code.

The authority uses accounting estimates where items within the Statement of Accounts 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 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 and liabilities, or relates to an item of net worth, it is recognised by adjusting the carrying amount of the related asset, liability or net worth item 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 net worth 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 net worth 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 year 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 Statement of Accounts. In preparing information for the Statement of Accounts, 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 Comprehensive Income and Expenditure Statement and Balance Sheet. Throughout the accounting policies, reference is made to the bases on which assets, liabilities, reserves, income and expenses have been recognised and measured.

## Fair Value

International Financial Reporting Standards do not have a consistent definition of fair value; different definitions 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.
Property, Plant and Equipment	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 property, plant and equipment, 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 property, plant and equipment, 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.

<b>Circumstance</b>	<b>Fair Value</b>
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.

## 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 interpretations and 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 Comprehensive Income and Expenditure Statement 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 Housing Revenue Account 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.

### 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 Comprehensive Income and Expenditure Statement.

Revenue grants or contributions with no conditions attached are recognised as income in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, 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 Housing Revenue Account) to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, 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 Movement in Reserves Statement. 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 Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement (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 Comprehensive Income and Expenditure Statement. As the repayment of grants for capital purposes is classed as capital expenditure, the repayment is transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement. 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, the income shall be transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement, and the income is transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement 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. In practice the authority does not have any donated assets.

Please note that the authority has a separate accounting policy for Heritage Assets which covers donated heritage 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 interpretations or adaptations to fit the public sector are detailed in the Code.

This accounting policy does not apply to revenue arising from lease agreements (see separate accounting policy for Leases).

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 inflow of resources (see accounting policy on debtors).

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 accounting policy for financial instruments).

### 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 Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### E. Tax Income (Council Tax and National Non Domestic Rates (NNDR))

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

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 year; 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 Comprehensive Income and Expenditure Statement for the year and represents the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

### **National Non Domestic Rates (NNDR)**

The authority collects national non domestic rates (NNDR) under what is in substance an agency arrangement with central government.

NNDR income is not the income of the authority and is therefore not included in its Comprehensive Income and Expenditure Statement. The cost of collection allowance received by the authority is the authority's income and is included in the Comprehensive Income and Expenditure Statement.

NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not the assets and liabilities of the authority and are therefore not recognised on the Balance Sheet.

Cash collected from NNDR taxpayers by the authority (net of the cost of collection allowance) belongs to central government and the amount not yet paid to central government at the Balance Sheet date is included in the Balance Sheet as a creditor; similarly, if cash paid to central government exceeds the cash collected from NNDR taxpayers (net of the cost of collection allowance), the excess is included in the Balance Sheet as a debtor.

Cash collected from NNDR taxpayers by the authority is collected for central government and is therefore not an operating activity of the authority and is therefore not included in the authority's Cash Flow Statement as a cash inflow except for the cash retained in respect of the cost of collection allowance. Similarly, the authority's payment into the NNDR national pool is not an operating activity and is therefore not included in the authority's Cash Flow Statement as a cash outflow. The difference between the cash collected from NNDR taxpayers and the amount paid into the NNDR national pool is included within financing activities in the Cash Flow Statement.

Amounts billed to NNDR taxpayers over and above the NNDR due, to recover the authority's costs of pursuing unpaid NNDR debts, is recognised as income of the authority.

### **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 interpretations or 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, 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 de-minimis 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 de-minimis level.

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

### **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. 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.

## I. Inventories

The authority accounts for inventories in accordance with IAS 2 *Inventories*, except where interpretations or 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.

## J. 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 interpretations or 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 accounting policy on Revenue Recognition) except for a financial asset (see accounting policy on financial instruments).

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

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 or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

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.



## K. 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.

## L. Employee Benefits - Benefits Payable during Employment

The authority accounts for benefits payable during employment in accordance with IAS 19 *Employee Benefits*, except where interpretations or 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 year end. 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 year in which employees render service to the authority.

The authority recognises short term accumulating compensated absences (i.e. annual leave and flexi leave) when employees render services that increases their entitlement to future compensated absences. These type of short term compensated 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 year end which employees can carry forward into the next financial year. The accrual is charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday 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.

## M. Employee Benefits – Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy.

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

The authority recognises termination benefits as a liability (i.e. a provision) and an expense when it is demonstrably committed (i.e. it has a detailed formal plan for the termination and is without realistic possibility of withdrawal) to either terminate the employment of an employee or group of employees before the normal retirements date, or provide termination benefits as a result of an offer made in order to encourage voluntary termination of employment. The provision is recognised using the principles of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

As termination benefits do not provide the authority with future economic benefits, the benefits are charged immediately to Non Distributed Costs in the Comprehensive Income and Expenditure Statement.

Where an offer is made to encourage voluntary redundancy, the authority measures the termination benefits based on the number of employees expected to accept the offer.

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

year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 year end.

## N. Employee Benefits – Post Employment Benefits

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

Employees of the authority are entitled to become members of one of two separate 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).

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority. However, arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority and is therefore accounted for as if it were a defined contributions scheme 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:

- Estimating the benefit that employees have earned (i.e. the liability of the pension fund attributable to the authority) – actuarial techniques are used to estimate the variable that will determine the ultimate cost of providing post employment benefits and to determine how much benefit is attributable to the current and prior periods.

The main actuarial assumptions for pension benefits comprise demographic assumptions such as mortality, employee turnover and expected early retirement where the employee has the right under the scheme rules. Financial assumptions such as the discount rate and salary and benefit levels are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled. 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 to determine the present value of the defined benefit obligation – 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.

The rate used to discount post employment benefit obligations is determined 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. The interest cost is computed by multiplying the discount rate as determined at the start of the period by the present value of the defined benefit obligation throughout that period, taking account of any material changes in the obligation.

- Determining the fair value of any scheme assets (and reimbursement rights, if any) - the assets of the pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – current bid price;
  - property – market value.

Where no market price is available, the fair value of scheme assets is estimated by the actuary.

- Determining the amount of actuarial gains and losses – the effects of changes in actuarial assumptions and experience adjustments (i.e. the effects of differences between the previous actuarial assumptions and what

has actually occurred) are charged to the Comprehensive Income and Expenditure Statement; the movement in actuarial gains and losses is recognised in the Pension Reserve.

- Where a plan has been changed, determining the resulting past service cost – past service cost usually arises when the benefits payable under an existing defined benefit scheme are changed. Past service costs are measured as the change in the liability resulting from the amendment. Where the amendment vests immediately, the past service costs are recognised immediately regardless of the fact that the cost refers to employee service in previous periods. Sometimes there is a vesting period, in which case the past service cost is amortised on a straight-line basis over the average period until the benefits become vested. The amortisation schedule for past service cost is fixed when the amendment is introduced and is not revised unless there is a curtailment or settlement.

Where benefits payable under an existing defined benefit scheme attributable to past service are changed, so that the present value of the defined benefit obligation decreases, the resulting reduction in the defined benefit liability shall be recognised as (negative) past service cost over the average period until the change in benefits becomes vested. Where, at the same time as the reduction in liability, other changes are made that result in an increase in the liability under the scheme for the same employees, the change is treated as a single net change.

- Where a scheme has been curtailed or settled, determining the resulting gain or loss – gains and losses on curtailment or settlement (i.e. events that change the liabilities and that are not covered by normal actuarial assumptions) comprise any resulting changes in the present value of the defined benefit obligation, any resulting change in the fair value of the plan assets and any unamortised related past service costs. Gains and losses on curtailments or settlements are recognised when the curtailment or settlement occurs. Before determining the effect of a curtailment or settlement, the obligation is re-measured (and the related plan assets, if any) using current actuarial assumptions.

The authority recognises the net total of the following amounts in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement except to the extent that the Code requires or permits their inclusion in the cost of an asset:

- current service cost – the increase in liabilities as a result of years of service earned in the current year - charged against the relevant Cost of Services for which the employee worked;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid - charged to Financing and Investment Income and Expenditure;
- the expected return on any plan assets and on any reimbursement rights – the annual investment return on the fund assets attributable to the authority, based on an average of the expected long term return - credited to Financing and Investment Income and Expenditure;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged to Non Distributed Costs within the Cost of Services;
- gains / losses on curtailments or settlements – the result of actions to relieve the authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged to Non Distributed Costs within the Cost of Services.

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 Comprehensive Income and Expenditure Statement.

The authority recognises the net total of the following amounts as a defined benefit liability in its Balance Sheet:

- the present value of the defined benefit obligation at the Balance Sheet date;
- minus any past service cost not yet recognised (i.e. past service costs that have not vested at the Balance Sheet date);
- minus the fair value at the Balance Sheet date of scheme assets (if any) out of which the obligations are to be settled directly.

Actuarial gains and losses (i.e. changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions) are debited to the Pensions Reserve.

Where the defined benefit liability is negative (i.e. an asset), there is a limit on the amount that can be recognised on the Balance Sheet as an asset. Where there is a negative liability (i.e. an asset), the amount recognised on the Balance Sheet has been determined in accordance with IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* paragraphs 58 to 58B and IFRIC Interpretation 14.

In relation to retirement 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 year, not the amount calculated according to the relevant accounting standards. The authority is not required to charge the General Fund balance and Housing Revenue Account 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 for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing the particular pension schemes or funds in which the authority participates. Where this amount does not match the amount charged to Surplus / Deficit on the Provision of Services for the year, the difference is taken to the Pensions Reserve through the Movement in Reserves Statement; the notional debits and credits for retirement benefits are removed and replaced with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirements benefits on the basis of cash flows rather than as benefits are earned by employees. The amount that is charged to the Housing Revenue Account for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing the particular pension schemes or funds in which the authority participates. Where the amount payable for the year in accordance with the scheme requirements does not match the amount included in the HRA Income and Expenditure Statement for the year, 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 or HRA Income and Expenditure Statement under the Code are:

- larger than the amount payable for the year 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 year 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 Pension Scheme

The Teachers Pension Scheme is accounted for as a defined contribution scheme. The authority charges the employer's contributions payable to Teachers' Pensions in the year to the Surplus / Deficit on the Provision of Services (under the Children's and Education Services line) within the Comprehensive Income and Expenditure Statement.

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 Teachers' Pensions until the new financial year.

### 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 year of the decision to make the award and accounted for using the same accounting policies as are applied to the Local Government Pension Scheme.

## O. 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 interpretations or 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 accounting policy on financial instruments).

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 accounting policy for financial instruments).

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 Comprehensive Income and Expenditure Statement.

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

## P. Provisions

The authority accounts for provisions in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, except where interpretations or 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 effect of the time value of money is material, the authority sets the amount of a provision at the present value of the expenditure expected to be required to settle the obligation. The unwinding of the discount due to the passage of time is recognised as interest within the Surplus / Deficit on the Provision of services within the Comprehensive Income and Expenditure Statement.

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 accounting policy on contingent liabilities.

Provisions are charged as an expense to the appropriate service line in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation.

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

Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely that a transfer of economic benefits will not be required or a higher or lower settlement will be made, the provision is reversed or adjusted respectively in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

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.

## Q. 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 Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance or HRA balance in the Movement in Reserves Statement 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.

## R. 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 interpretations or 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 accounts, 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 accounting policy for provisions). 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 accounts, 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 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 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.

## S. 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 Service Reporting Code of Practice (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 Comprehensive Income and Expenditure Statement, 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.

If any overheads are not charged or apportioned, the reason for not doing so, together with the nature of the overhead and the amount, is disclosed in a note to the accounts.

## T. Property, Plant and Equipment

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

This accounting policy does not apply to property, plant and equipment classified as Non Current Assets Held for Sale (see separate accounting policy for Non Current Assets Held for Sale) or those classified as Investment Property (including Investment Property under construction) (see separate accounting policy for Investment Property) or those classified as Heritage Assets (see separate accounting policy for Heritage Assets) or donated assets (see separate accounting policy under Donated Assets).

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 financial year are classified as property, plant and equipment.

### Recognition

The authority recognises (and capitalises) expenditure on the acquisition, creation or enhancement of property, plant and equipment 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 enhance, 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 Comprehensive Income and Expenditure Statement 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” if they do not meet the above recognition principle.

The authority has a de minimis level of £20,000 for land and buildings and vehicles, plant and equipment. Items of expenditure below this de minimis level are charged to the relevant cost of service within the Comprehensive Income and Expenditure Statement in the year it is incurred. The authority has no de minimis level for enhancement expenditure and therefore all enhancement expenditure is capitalised.

Where a component is replaced (i.e. enhancements), 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 property, plant and equipment 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.

The cost of an item of property, plant and equipment is the cash price equivalent at the date when the asset is recognised. When payment is deferred beyond normal credit terms, the cost of the asset is the cash equivalent (that is, the discounted amount). The authority recognises the difference between this amount and the total payments as interest over the period of the credit in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

Where property, plant and equipment is acquired by the authority in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, the cost of the acquired item is measured at fair value unless the exchange transaction has no commercial substance, or the fair value of neither the asset received nor the asset given up can be reliably measured. The acquired item is measured at the carrying amount of the asset given up if it is not measured at fair value.

Please refer to the accounting policy for leases in respect of the cost of an item of property, plant and equipment held by the authority under a finance lease.

## Measurement after Recognition

Infrastructure, community assets, and assets under construction (excluding investment properties under construction) are measured at historical cost. All other classes of property, plant and equipment 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 in 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. Classes of assets whose fair value can be measured reliably are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment. When an asset is re-valued, 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 re-valued amount of the asset.

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



Where the carrying amount of property, plant and equipment 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 Comprehensive Income and Expenditure Statement 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 years is treated as a revaluation gain and credited to the Revaluation Reserve.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation (i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset 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 Comprehensive Income and Expenditure Statement.

Revaluation gains or losses charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement are not proper charges to the General Fund; such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. Any revaluation gains or losses charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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

Valuations for the Housing Revenue Account (HRA) dwellings and garages and car park assets are undertaken annually. Methods of valuation for both dwellings and garages and car parking spaces have been 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 separate accounting policy "Impairment of Assets".

## **Depreciation**

The authority accounts for land and buildings as separate assets even when they are acquired together. Depreciation is applied to all property, plant and equipment, 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 property, plant and equipment 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 Comprehensive Income and Expenditure Statement. As depreciation is not a proper charge to the General Fund, it is subsequently transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. 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 and the Major Repairs Reserve is credited and the HRA balance is debited with a sum equal to HRA depreciation for dwellings; this is balanced by a corresponding debit to the Capital Adjustment Account and a credit to the HRA balance with both transactions reflected in the Movement in Reserves Statement.

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 year from the Revaluation Reserve to the Capital Adjustment Account.

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 Comprehensive Income and Expenditure Statement. 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 in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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 Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is 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 Movement in Reserves Statement.

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 Capital Adjustment Account from the General Fund balance or HRA balance in the Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement.

### Minimum Revenue Provision

The authority is required to make an annual provision (i.e. Minimum Revenue Provision) from revenue to contribute towards the reduction in its overall borrowing requirement in relation to assets calculated in accordance with statutory guidance. Minimum Revenue Provision is a proper charge to the General Fund, but does not appear in the Comprehensive Income and Expenditure Statement. Such amounts are transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

## U. 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 interpretations or 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 accounting policy for Property, Plant and Equipment).

### 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 de minimis level of £20,000 for heritage assets. Items of expenditure below this de minimis level are charged to the relevant cost of service within the Comprehensive Income and Expenditure Statement in the year it is incurred.

### Initial Measurement

The authority recognises heritage assets initially at cost in accordance with its initial measurement policy for property, plant and equipment in respect of tangible heritage assets (see separate accounting policy for Property, Plant and Equipment) and in accordance with its initial measurement policy for intangible assets in respect of intangible heritage assets (see separate accounting policy for intangible assets).

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 separate accounting policy on grants, contributions and donated assets).

### 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 property, plant and equipment (see separate policy for Property, Plant and Equipment under Measurement after Recognition)

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 separate policy on impairment of assets).

### **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.

### **Donations**

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

### **Derecognition**

Where heritage assets are disposed of, the authority accounts for the disposal in accordance with its disposal policy on property, plant and equipment for tangible heritage assets (see separate policy for Property, Plant and Equipment under Derecognition) and in accordance with its disposal policy on intangible assets for intangible heritage assets (see separate policy for Intangible Assets under Derecognition).

## **V. Leases and Lease Type Arrangements**

The authority accounts for leases in accordance with IAS 17 *Leases* except where interpretations or 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 separate accounting policy for Investment Property).

### **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.

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; 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.

As a lessee, where the authority has an interest in both the land and buildings which are classified as an investment property and the fair value model is used, the authority does not separately measure the land and buildings elements. Where the authority, as lessee, classifies a property interest held under an operating lease as an investment property, it accounts for the interest as a finance lease and the fair value model is used. The authority continues to account for the interest as a finance lease even where subsequent events mean the property is no longer classified as an investment property. In practice, the authority does not have any lessee arrangements which would be classified as investment properties.

### **Lessee Finance Leases**

Property, plant and equipment 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 property, plant and equipment). 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 Comprehensive Income and Expenditure Statement.

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

Property, plant and equipment 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 Comprehensive Income and Expenditure Statement. As these charges are not proper charges to the General Fund or Housing Revenue Account, the amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The authority is required to make an annual provision (i.e. Minimum Revenue Provision) from revenue to contribute towards the reduction in its overall borrowing requirement in relation to assets calculated in accordance with statutory guidance. Minimum Revenue Provision is a proper charge to the General Fund, but does not appear in the Comprehensive Income and Expenditure Statement. Such amounts are transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

### **Lessee Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Lease incentives are recognised as a reduction in the lease expense over the lease term, on a straight line basis.

## **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 in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 in 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 Comprehensive Income and Expenditure Statement). 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement. 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 Movement in Reserves Statement. 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 Capital Adjustment Account from the General Fund balance or HRA balance in the Movement in Reserves Statement.

## **Lessor Operating Leases**

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in 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 Comprehensive Income and Expenditure Statement. The authority accounts for any premium paid on entry into an operating lease as a prepayment of rent.

The authority recognises the cost of any lease incentives as a reduction of rental income over the lease term, on a straight line basis.

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 property, plant and equipment 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 Capital Adjustment Account and crediting the Capital Receipts Reserve.

## Sale and Leaseback Transactions

A sale and leaseback transaction involves the authority selling an asset and leasing back the same asset.

For a sale and leaseback transaction which results in a finance lease, any excess of sale proceeds over the carrying amount are amortised over the lease term as it would not be appropriate to regard an excess of sale proceeds over the carrying amount as income.

If a sale and lease back transaction results in an operating lease, and the sale and the lease are at fair value, any gain or loss on disposal is recognised immediately. If the sale price is below fair value, any gain or loss is recognised immediately unless the loss is compensated for by future lease payments below market price, in which case it is deferred and amortised in proportion to the lease payments. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

For operating leases, if the fair value of the asset at the time of a sale and leaseback transaction is less than the carrying amount of the asset, the asset is revalued to fair value and a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

## 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 property, plant and equipment) 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 lease accounting policy.

In assessing the lease, the authority separates the payments and other consideration required by the arrangement at the inception of the arrangement or upon a reassessment of the arrangement into those for the lease and those for other elements on the basis of their relative fair values. The minimum lease payments

include only payments for the lease and exclude payments for other elements in the arrangement (e.g. for services and the cost of inputs).

In the case of a finance lease, if the authority concludes that it is impracticable to separate the payments reliably, it recognises an asset and a liability at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability recognised using the authority's incremental borrowing rate of interest. Payments in excess of the repayment of the liability plus the imputed finance charge are accounted for as payments for other elements of the arrangement.

In the case of an operating lease, if the authority concludes that it is impracticable to separate the payments reliably, it treats all payments under the arrangement as lease payments, but discloses those payments separately from minimum lease payments of other arrangements that do not include payments for non-lease elements, and states that the disclosed payments also include payments for non-lease elements in the arrangement.

## W. 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 (FRM)*.

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment 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 property, plant and equipment 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 property, plant and equipment.

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 accounting policy on leases). 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 property, plant and equipment 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 property, plant and equipment 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 accounting policy for property, plant and equipment). 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 accounting policy for property, plant and equipment). 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 accounting policy for leases). The interest element is charged as incurred to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement, 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 accounting policy for leases). 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 authority's policy for leases.

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 accounting policy for property, plant and equipment). 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 year – charged to the relevant cost of service within the Comprehensive Income and Expenditure Statement;
- 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 Comprehensive Income and Expenditure Statement. 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 accounting policy for leases).

## 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 property, plant and equipment owned by the authority (see accounting policy for property, plant and equipment). 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 property, plant and equipment (see accounting policy for impairment).

## 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.

## X. Investment Property

The authority accounts for investment property in accordance with IAS 40 *Investment Property* except where interpretations or 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 accounting policy for leases.

### Classification

The authority only accounts for property that is used solely to earn rentals and/or for capital appreciation or both as investment property.

The authority accounts for property held as a lessee under an operating lease as an investment property if the property would otherwise meet the definition of an investment property. The lease is accounted for by the authority as if it were a finance lease.

Owner occupied property is accounted for as property, plant and equipment (see accounting policy for property, plant and equipment).

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 property, plant and equipment by the authority (see accounting policy for property, plant and equipment).

### 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 accounting policy for leases). 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement and posted to the Capital Adjustment Account. Any revaluation gains or losses charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

An investment property under construction is measured at fair value once the authority is able to measure reliably the fair value of the investment property and at cost before that date. Investment properties held at fair value are not depreciated.

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.

The carrying values of investment property are reviewed using a periodic revaluation approach with sufficient frequency to ensure the asset values do not differ materially from market conditions (i.e. fair value) at the Balance Sheet date.

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 Comprehensive Income and Expenditure Statement (unless on a sale and leaseback arrangement) in the period of the retirement or disposal. The gain or loss is not a proper charge to the General Fund or Housing Revenue Account. As a result the General Fund or Housing Revenue Account 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 Capital Adjustment Account 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement when it becomes receivable.

### **Minimum Revenue Provision**

The authority is required to make an annual provision (i.e. Minimum Revenue Provision) from revenue to contribute towards the reduction in its overall borrowing requirement in relation to assets calculated in accordance with statutory guidance. Minimum Revenue Provision is a proper charge to the General Fund, but does not appear in the Comprehensive Income and Expenditure Statement. Such amounts are transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

### **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 Comprehensive Income and Expenditure Statement and result in a gain for the General Fund balance.

## **Y. Intangible Assets**

The authority accounts for intangible assets in accordance with IAS 38 *Intangible Assets* except where interpretations or adaptations to fit the public sector are detailed in the Code.

Please note that the authority has a separate accounting policy for Heritage Assets 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 financial year. 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 Comprehensive Income and Expenditure Statement 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 year) 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.

### **Development of Websites**

The authority recognises the development of a website, whether for internal or external use as an intangible asset, where the recognition criteria for internally generated intangible assets are met. Any expenditure on development of websites that does not meet the recognition criteria is charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement as it is incurred.

The planning of a website is equivalent to the research phase of an internally generated asset and expenditure incurred in planning a website is expensed as it is incurred.

The development of a website is equivalent to the development phase of an internally generated asset and expenditure incurred in the development of a website is included in the cost of a website recognised as an intangible asset. Expenditure on the development of a website that is solely or primarily intended to promote or advertise the authority's goods and services is not capitalised.

### **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. The provision of amortisation is charged to the relevant cost of service in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. The amortisation charge is not a proper charge to the General Fund or Housing Revenue Account and therefore is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The amortisation period and method are reviewed at each financial year end by the authority and the amortisation amended where required.

### **Impairment**

Intangible assets are tested for impairment whenever there is any indication that the asset may be impaired.

An impairment loss on a revalued intangible asset is recognised in the Revaluation Reserve 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 to the relevant cost of service in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. As these charges are not proper charges to the General Fund, they are subsequently transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. Any impairment loss in respect of HRA intangible assets are actual charges to the HRA balance and are therefore charged to the HRA Income and Expenditure Statement but not reversed via the Movement in Reserves Statement.

The authority only recognises a reversal of an impairment loss on an intangible asset in the limited circumstance that the increase in value is attributable to the unexpected reversal of the external event that caused the original impairment to be recognised.

Any gain or loss arising on the abandonment of an intangible asset is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

### **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 Comprehensive Income and Expenditure Statement 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 Housing Revenue Account. As a result the General Fund or Housing Revenue Account 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 Capital Adjustment Account 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

Where the intangible asset is carried at fair value, any balance on the Revaluation Reserve in relation to the intangible asset is transferred to the Capital Adjustment Account by debiting the Revaluation Reserve and crediting the Capital Adjustment Account; this transfer being reflected in the Movement in Reserves Statement.

### **Minimum Revenue Provision**

The authority is required to make an annual provision (i.e. Minimum Revenue Provision) from revenue to contribute towards the reduction in its overall borrowing requirement in relation to assets calculated in accordance with statutory guidance. Minimum Revenue Provision is a proper charge to the General Fund, but does not appear in the Comprehensive Income and Expenditure Statement. Such amounts are transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

## **Z. 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 year 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 Housing Revenue Account and impact on that year's council tax.

Such expenditure is charged to the relevant cost of service in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. The authority accounts for this statutory provision that allows capital resources to meet the expenditure by debiting the Capital Adjustment Account and crediting the General Fund balance or HRA balance with the transfer being reported in the Movement in Reserves Statement.

## **AA. Impairment of Assets**

The authority accounts for impairments in accordance with IAS 36 *Impairment of Assets* except where interpretations or 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 indication that the impairment loss recognised for an asset may no longer exist or may have decreased may also indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset; therefore the authority will also review these aspects for the particular asset at the same time.

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 Movement in Reserves Statement 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 Comprehensive Income and Expenditure Statement. As the element of the impairment loss charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement is not a proper charge to the General Fund, the amount is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. 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 Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement.

## Reversing an impairment

At the end of each reporting period, the authority undertakes an assessment as to whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the authority estimates the recoverable amount of that asset.

The authority only recognises a reversal of an impairment loss of an asset (previously recognised in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement) if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal of an impairment loss previously recognised in Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement 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 years 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 Comprehensive Income and Expenditure Statement is not a proper charge to the General Fund, the amount is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. 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 Movement in Reserves Statement.

## BB. Asset Componentisation

The authority only considers assets for componentisation in the year the assets are valued and/or in the year following capital expenditure 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 de minimis threshold of £10m for componentising general fund assets; individual assets with a gross book value of less than £10m are disregarded for componentisation. The de minimis 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 property, plant and equipment 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 property, plant and equipment 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.

## CC. Borrowing Costs in Relation to Assets

The authority accounts for borrowing costs in accordance with IAS 23 *Borrowing Costs* except where interpretations or 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 Comprehensive Income and Expenditure Statement.

## DD. 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 interpretations or 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 (or disposal group) 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:

- the asset (or disposal group) 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 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 (or disposal group) 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.

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 accounts.

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 property, plant and equipment and are classified under a sub classification of property, plant and equipment 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 date, 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement (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 Comprehensive Income and Expenditure Statement (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) a non current asset (or disposal group) 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal at the date of derecognition.

Please refer to the accounting policy for property, plant and equipment or intangible asset, 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 (or disposal group) as held for sale and values the asset at the lower of its carrying amount before the asset (or disposal group) 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 Comprehensive Income and Expenditure Statement, in the period that the criteria are no longer met.

For an asset previously carried at a re-valued 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 Comprehensive Income and Expenditure Statement.



## EE. Capital Receipts

The authority has a de-minimis level of £10,000 for capital receipts from the sale of assets. Amounts below this level are credited to the Comprehensive Income and Expenditure Statement; amounts above this level are credited to the Comprehensive Income and Expenditure Statement 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 de-minimis level but are all related, the authority treats these individual sales as being over the de-minimis 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 accounting policy for property, plant and equipment 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 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 Comprehensive Income and Expenditure Statement and subsequently transferred to the Capital Receipts Reserve and reported in the Movement in Reserves Statement.

## FF. 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 interpretations or 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. For example, a loan debt contract is recognised by the authority, as the borrower, when the cash lent is received rather than when the authority became committed to the loan agreement and a trade payable is recognised when the ordered goods or services have been received.

### 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 current when:

- it expects to realise or sell the financial asset in its normal operating cycle;
- it holds the financial asset primarily for the purpose of trading;
- it expects to realise the financial asset within 12 months after the reporting period; or

- the financial asset is cash or cash equivalent.

All other financial assets are classified as long term financial assets.

The authority classifies its financial assets as:

- loans and receivables – defined as assets that have fixed or determinable payments and are not quoted in an active market;
- fair value through profit or loss – defined as all assets that are acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or 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.
- available for sale assets – defined as all assets that are not required to be classified as at fair value through profit or loss or as loans receivables;

The authority classifies financial liabilities as current when:

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

All other financial liabilities are classified as long term financial liabilities.

The authority classifies its financial liabilities as either:

- fair value through profit or loss - defined as all liabilities that are acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or 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;
- amortised cost – defined as all liabilities other than liabilities held for trading (i.e. fair value through profit or loss).

## 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 Housing Revenue Account 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 Comprehensive Income and Expenditure Statement 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 in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. 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 Comprehensive Income and Expenditure Statement.

### **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 Comprehensive Income and Expenditure Statement 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 in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.

### **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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement. 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).

### **Fair Value through Profit and Loss**

After initial recognition the carrying amount of a financial asset at fair value through profit or loss is measured at its fair value, without any deduction for transaction costs that would be incurred on sale or other disposal. See available for sale financial assets section above for how fair value is estimated.

A change in the fair value of a financial asset at fair value through profit or loss is recognised in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

## Debt Redemption

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

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 Comprehensive Income and Expenditure Statement 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 write-down to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, 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 year to the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

### 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 Comprehensive Income and Expenditure Statement.

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 Comprehensive Income and Expenditure Statement, along with any cumulated gains or losses previously recognised in the Comprehensive Income and Expenditure Statement.

## 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 carrying amount is reduced to its recoverable amount through an allowance account. 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 Comprehensive Income and Expenditure Statement but should the loss be subsequently reduced (i.e. after the impairment was recognised) the loss will be reversed through the Comprehensive Income and Expenditure Statement.

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 Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement.

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 Comprehensive Income and Expenditure Statement 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.

## GG. 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 authority's accounting policy for provisions (see separate accounting policy for Provisions). 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 and is apportioned on the basis of energy consumption.

## HH. Events after the Balance Sheet Date

The authority accounts for events after the Balance Sheet date in accordance with IAS 10 *Events after the Reporting Period*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

Events after the Balance Sheet date 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:

Un audited 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 re-certifies 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 re-certifies 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 re-certifies 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 and 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 un-audited 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).

## II. 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 accounts. The nature and amount of exceptional items are disclosed separately on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the authority's financial performance.

## JJ. Foreign Currency Translation

The authority accounts for exchange rates and exchange rate movements in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* except where interpretations or adaptations to fit the public sector are detailed in the Code. Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the end of the reporting period, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised as Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.



**Brighton & Hove City Council**  
**Independent Auditor's Report**  
**2012/13**

# 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 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and related notes 1 to 43, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes 1 to 11, and the Collection Fund and the related notes 1 and 2. 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 2012/13.

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 Responsibilities set out on page 23, the Executive Director of 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 2012/13, 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 of 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 2012/13 to identify material inconsistencies with the audited financial statements. 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 2013 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 2012/13.

## Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2012/13 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 reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- 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.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the 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 2013.

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.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, 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 ended 31 March 2013.

## **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.

**Helen Thompson**  
**for and on behalf of Ernst & Young LLP**  
**26 September 2013**



**Brighton & Hove City Council**

**Glossary of Terms  
2012/13**

# Glossary

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## 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 in the period in which any cash is received or paid.

## Actuarial Gains and Losses

Actuarial gains and losses comprise:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and
- the effects of changes in actuarial assumptions.

## Amortisation

Amortisation is the systematic allocation of the amortised amount of an 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 uncollectibility.

## 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 (or disposal group) 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 (or disposal group) 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 an organisation'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 assets 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 unrealised revaluation gains arising from holding available for sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

## 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 payable 12 months or more after the end of the reporting period, such as long-service leave or jubilee payments and long-term disability benefits.

## Budget

A budget expresses the authority's service delivery plans and capital programmes in monetary terms.

## Capital Adjustment Account

The Capital Adjustment Account 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.

## Capital Expenditure

Capital expenditure 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 Financing Requirement

The capital financing requirement is the capital investment funded from borrowing which has yet to be repaid.

## Capital Programme

The capital programme is a financial summary of the capital projects that the authority intends to carry out over a specified 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 expenditure.

## 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 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 National Non Domestic Rates which is paid into this fund. The authority uses this money to pay its precepts to Sussex Police & Crime Commissioner and the East Sussex Fire Authority, and the demand by the authority's General Fund, which finances the authority's day to day expenditure.

## Collection Fund Adjustment Account

The collection fund adjustment account is used specifically to manage the accounting processes for Council Tax.

## 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

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

Corporate and democratic core includes two categories of expenditure; Democratic Representation and Management (DRM) and Corporate Management costs. DRM includes all aspects of members' activities and Corporate Management includes activities that provide the infrastructure that allows services to be provided (e.g. Chief Executive, external audit, corporate level financing and treasury management).

## 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.

## Costs to Sell

Costs to sell are the incremental costs directly attributable to the disposal of an asset (or disposal group), 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

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

## Debtors

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 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.

## Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

## Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the authority pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

## 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 the systematic allocation of the depreciable amount of an asset over its useful life.

## Disposal Group

A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

## 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 through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

## Employee Benefits

Employee benefits are all forms of consideration given by the authority in exchange for service rendered by employees.

## 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), and
- 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 accounts.

## 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)

Existing use value – social housing 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 arm's-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 re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let 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.

## Expected Rate of Return on Pensions Assets

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

## 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 arm's-length transaction.

## 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 most 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
- Derivatives
- Swaps
- Forwards
- Options
- Embedded derivatives
- Debt instruments with embedded swaps
- Debt instruments with embedded options.

## 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.

## 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 Balance

The General Fund balance shows the resources available to meet future running costs for non HRA housing 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 expenditure 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. With regard to intangible assets, a heritage intangible asset is one with cultural, environmental or historical significance.

## 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 are administered by local authorities and subsidised by central government.

## Housing Revenue Account

The housing revenue account shows the resources available to meet future running costs for council dwellings.

## Impairment Loss

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

## 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.

## 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.

## 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.

## Major Repairs Reserve

The Major Repairs Reserve controls 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 expenditure on these assets.

## Material

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

The movement in reserves statement shows the movement in the year on the different reserves held by the authority, analysed into usable reserves and other reserves.

## National Non Domestic Rates (NNDR)

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

### 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.

### Net Worth

The total funds, balances and reserves (both usable and unusable reserves) held by the authority.

### 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.

### Operating Lease

An operating lease is a lease other than a finance lease.

### 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 plans; and gains and losses on re-measuring available for sale financial assets.

### Operating Activities

Operating activities are the activities of the authority that are not investing or financing activities.

### 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 increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

### 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, Retirement Benefits, for the same period. A transfer is made to or from the Pensions Reserve to ensure that the charge to the General Fund balance reflects the amount required to be raised in taxation. The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet.

### 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 cover not only pensions but also other benefits payable post employment such as life insurance and medical care.

## 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.

## 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, and
- 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

Property, plant and equipment 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, 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 disposal of an asset, after deducting the estimated costs of disposal, if the asset were 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 records the un-realised revaluation gains arising from holding non current assets. The reserve increases when assets are revalued upwards, and decreases when assets are revalued downwards or disposed of or as assets are depreciated.

## Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

## 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 I 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.

### Sale and Leaseback Transaction

A sale and leaseback transaction is where the authority sells an asset and leases back the same asset.

### Settlements (Pensions)

Settlements are an irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. For example, adjustments to the pension liability arising from bulk transfers of employees.

### Short Term Compensated Absences

Short term compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated 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 fall due wholly within 12 months after the end of the period in which the employees render the related service. Short term employee benefits include:

- wages, salaries and social security contributions;
- short term compensated 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.

### Temporary Borrowing

Temporary borrowing is a sum of money borrowed for a period of less than one year.

### Termination benefits

Termination benefits are benefits that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement 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.

## 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 expenditure.

## Usable Reserves

Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation.

## 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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