



Statement of Accounts 2011/12



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Introduction to the Accounts

Brighton & Hove City Council is a south coast unitary authority formed in 1997 when the two former borough councils, Brighton Borough Council and Hove Borough Council, covering the geographical area merged. In 2000, the authority was awarded city status by the monarch.

The city, Brighton & Hove is nestled between the South Downs and the sea and is home to more than 250,000 people. The city is renowned for its vibrancy, culture of tolerance, its independent shops, historic lanes, vast array of pubs, restaurants and clubs, its festivals, stunning architecture and 11 kilometers of coastline.

The authority has five key priorities which are set out in the Corporate Plan which can be found on the authority's website. The Corporate Plan sets out the authority's strategic direction and priorities for the next four years. 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;
- To be a responsible and empowering employer;
- Providing a council the city deserves.

Authority Funding

In 2011/12, the authority has had to deliver a substantial package of savings to meet considerable on-going service demands, cost pressures and reductions in central government grant funding, whilst minimising the impact on council taxpayers and front-line services, and accommodating service improvements in support of the authority's priorities.

In 2011/12, funding from the government through formula grant reduced by 13.3% in comparison to the previous year. The local government financial settlement gave a firm indication of government grant allocations for 2012/13 and the coalition government's spending review set out national spending limits for 2013/14 and 2014/15. The financial settlements for 2012/13 and beyond will continue to bring huge financial challenges for the authority with a 9.4% reduction expected in the formula grant funding received by the authority in 2012/13. Funding in 2013/14 and 2014/15 is also likely to reduce considerably overall but this will be dependent on the mechanisms used for the localisation of business rates. However, nationally, government funding is planned to reduce by 0.9% and 8.1% in 2013/14 and 2014/15 respectively. Based on currently known information, the authority's medium term financial strategy sets out a forecast of over £60m savings being required over the next three years covering the period from 2012/13 to 2014/15.

Commissioning, Value for Money and Partnership Working

On 1 November 2010, the authority was restructured to deliver services through a new operating model. This approach aims to strengthen how effective the authority is at meeting needs with the resources it has at its disposal, ensuring that the authority is efficient in using those resources, and engages more closely with residents and communities. This will be key to maximising the desired service outcomes of the community within the overall reduced pot of resources alongside a continued focus on efficiency, value for money and working with our partners to ensure we provide joined up services and share costs wherever possible.

During 2011/12, the authority has also continued its commitment to make better use of public money by improving value for money (VfM) through the identification of efficiency savings, income generation, service improvements and service transformation. The authority has a good track record in achieving VfM savings; in 2011/12 the authority embarked on Phase 3 of its VfM programme which was designed to achieve substantial savings of £7.7m alongside continuing programmes. The level of savings achieved through the VfM programme in 2011/12 was £7.6m.

The 2011/12 budget included a number of examples of close partnership working across the city particularly with health and on community safety activity. This will need to continue and be strengthened to ensure that all partners in the city understand how their collective resources can be best used for the benefit of the city. Work with other local authorities across the region will also continue particularly through the SE7 partnership working with East Sussex, West Sussex, Medway, Kent, Surrey and Hampshire. The areas currently prioritised

for joint working are ICT, led by Brighton & Hove, Waste, Transport and Special Educational Needs with the focus of this work, in particular, being joint procurement.

Financial Performance

During 2011/12, the authority introduced a number of control measures to restrict spending on non critical expenditure to address in-year financial pressures and to prepare for the continuing financial challenges. In 2011/12, the authority has achieved an underspend of £4.370m on its General Fund budget, which is £1.183m better than expected when the 2012/13 budget was approved in February 2012. This additional underspend of £1.183m has been transferred to general reserves and the authority proposes to commit £0.822m of this underspend to new initiatives, with the remaining £0.361m available to support the 2013/14 budget setting process.

The Housing Revenue Account (HRA) has also achieved an underspend of £2.020m in 2011/12. This underspend will be added to the HRA reserves and will enable continued investment in the long term investment strategy for the housing stock.

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 planned for local government finance over the coming years. In particular, the localisation of business rates and the requirement to replace the current Council Tax Benefit Scheme will have significant implications along with other changes as follows:

- The localisation of business rates from 2013/14 will give the authority significant new risks to manage as the income from business rates is quite volatile and provides some different financial incentives to take into account when the authority is making decisions on business developments within the city;
- The Government has decided that there will no longer be a national Council Tax Benefits system from 1 April 2013. Instead the authority will need to introduce its own local Council Tax Support system. The Government's assumption following the last Comprehensive Spending Review is that there will be a 10% reduction in expenditure through these changes from 1 April 2013 and that it will be for local authorities to determine how to manage that funding reduction. The authority will receive approximately £2.5m less from Government as a result of this change. The authority will need to consider a wide range of policy and financial issues in the design of the new system. There are important links to wider welfare reforms at a national level and existing policies of the authority such as the Child Poverty Strategy, Housing Strategy, work on Financial Advice and Inclusion, Customer Access and Digital Inclusion. It also has a significant bearing on the authority's corporate plan objective of reducing inequality;
- Schools funding national formula changes - the Government's Spending Review allowed for increases in schools funding at the same rate as increases in projected pupil numbers. However, the Government is introducing a national formula for distributing schools funding between schools rather than the current locally agreed funding formulas. This is likely to have an impact on the amount of funding available for each school in the future;
- Housing Revenue Account '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 has been abolished by the Localism Act 2011. It has been replaced with a new system of self financing which comes into effect from 1 April 2012. Under self financing the authority will no longer be required to transfer its resources to central government, but in return will be required to take on additional debt, called the 'self financing settlement', of £18.081m, at a level which is sustainable in the long term. 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 council dwellings.

Explanatory Foreword

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 2011/12 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2011 to 31 March 2012 (“the reporting period”).

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 in making and evaluating decisions about the allocation of resources.

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; these will be included on the authority’s website.

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 24 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 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. The 2010/11 comparative figures have been updated from the published 2010/11 accounts to reflect the changes in the 2011/12 SeRCOP.

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.

Accounting Policies:

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

Significant Changes in Accounting Policies

In 2011/12, the Code introduced a change to the treatment in accounting for heritage assets held by the authority. The authority is required to change its accounting policy for heritage assets and recognise them at valuation on the Balance Sheet. Previously, heritage assets were either recognised as community assets (at cost), other land and buildings and vehicles, furniture, plant and equipment under property, plant and equipment on the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The authority's accounting policies for recognition and measurement of heritage assets are set out in the authority's summary of significant accounting policies (see separate section to the accounts on pages 124 to 163).

The authority has applied this change in accounting policy retrospectively. In applying the new accounting policy, the authority has identified:

- That assets to the value of £7.055m as at 1 April 2010 that were previously held as community assets, other land and buildings and vehicles, furniture, plant and equipment within property, plant and equipment should now be recognised as heritage assets;
- Additional heritage assets that were not previously recognised in the Balance Sheet should be brought on to the Balance Sheet;
- The value of those total assets identified as heritage assets as at 1 April 2010, using insurance valuations, should be measured at £177.721m thereby increasing the asset value of long term assets as at 1 April 2010 by £170.666m.

The assets relate to the Royal Pavilion estate, collections, West Blatchington windmill, Rottingdean windmill and rare books which were previously recognised in the community assets classification of property, plant and equipment and the Volks Railway which was previously recognised in the other land and buildings and vehicles, furniture, plant and equipment classification of property, plant and equipment.

The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy. The effect of the restatement on the financial statements is detailed below.

Effect on the Opening Balance Sheet as at 1 April 2010

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £177.721m. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £7.055m. The revaluation reserve has increased by £170.064m and the Capital Adjustment Account has increased by £0.602m.
- The fully restated 1 April 2010 Balance Sheet is provided on page 28. The adjustments that have been made to that Balance Sheet over the published version published in the 2010/11 Statement of Accounts are shown in the table below:

	Opening Balances as at 1 April 2010	Restatement	Restated Opening Balances as at 1 April 2010
	£'000	£'000	£'000
Property, Plant & Equipment	1,887,138	(7,055)	1,880,083
Heritage Assets	0	177,721	177,721
Long Term Assets	1,961,388	170,666	2,132,054
Net Assets	1,390,655	170,666	1,561,321
Unusable Reserves	(1,303,952)	(170,666)	(1,474,618)
Total Reserves	(1,390,655)	(170,666)	(1,561,321)

Effect on the 2010/11 Comprehensive Income and Expenditure Statement (comparative figures)

During 2010/11, there were no impairment losses, revaluation losses or disposals in respect of those community assets which have been reclassified as heritage assets.

The assets in relation to the Volks Railway which have been reclassified as heritage assets were previously classified as other land and buildings and vehicles, furniture, plant and equipment and therefore were depreciated in 2010/11. As the authority's accounting policy for heritage assets in respect of depreciation is not to charge depreciation, these depreciation charges have been reversed.

The value of heritage assets was brought onto the Balance Sheet as at 1 April 2010 using insurance valuations for those assets as at that date. Insurance valuations are updated as at 1 April each year, therefore there were no revaluation changes made in 2010/11.

The adjustments that have been made to the Comprehensive Income and Expenditure Statement in the published version published in the 2010/11 Statement of Accounts are shown in the table below:

	As Previously Stated as at 31 March 2011 £'000	Restatement £'000	Restated Balances as at 31 March 2011 £'000
Cultural and Related Services	32,039	(13)	32,026
Cost of Services	398,751	(13)	398,738
(Surplus) / Deficit on the Provision of Services	124,175	(13)	124,162
Other Comprehensive Income and Expenditure	(272,256)	0	(272,256)
Total Comprehensive Income and Expenditure	(148,081)	(13)	(148,094)

Effect on the Movement in Reserves Statement as at 31 March 2011 (comparative figures)

The restatement of the relevant lines of the Movement in Reserves Statement as at 31 March 2011 as a result of the application of this new accounting policy is presented in the table below:

	As Previously Stated as at 31 March 2011 £'000	Restatement £'000	Restated Balances as at 31 March 2011 £'000
Balance as at the end of the previous reporting period - 31 March 2010	(1,390,655)	(170,666)	(1,561,321)
(Surplus) / Deficit on the Provision of Services	124,175	(13)	124,162
Other Comprehensive Income and Expenditure	(272,256)	0	(272,256)
Total Comprehensive Income and Expenditure	(148,081)	(13)	(148,094)
Adjustments between Accounting Basis and Funding Basis under Regulations	0	0	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(148,081)	(13)	(148,094)
Increase/(decrease) in the year	(148,084)	(13)	(148,097)
Balance at the end of the current reporting period 31 March 2011	(1,538,739)	(170,679)	(1,709,418)

Effect on the Balance Sheet as at 31 March 2011 (comparative figures)

In applying the new accounting policy, the authority has identified that the following restatement is needed to the published Balance Sheet as at 31 March 2011:

- That assets to the value of £7.222m as at 31 March 2011, that were previously held as community assets, other land and buildings and vehicles, furniture, plant and equipment within property, plant and equipment should now be recognised as heritage assets;

- Additional heritage assets that were not previously recognised in the Balance Sheet as at 31 March 2011 should be brought on to the Balance Sheet;
- The value of those total assets identified as heritage assets as at 31 March 2011, using insurance valuations as at 1 April 2011, should be measured at £177.901m thereby increasing the asset value of long term assets as at 31 March 2011 by £170.679m;
- This increase in valuation has also resulted in increasing the Revaluation Reserve and Capital Adjustment Account by £170.071m and £0.608m respectively and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost on community assets (a sub classification of property, plant and equipment) of £7.222m.

The resulting restated Balance Sheet for 31 March 2011 is provided on page 28. The adjustments that have been made to that Balance Sheet over the published version in the 2010/11 Statement of Accounts are shown in the table below:

	As Previously Stated as at 31 March 2011 £'000	Restatement £'000	Restated Balances as at 31 March 2011 £'000
Property, Plant & Equipment	1,795,377	(7,222)	1,788,155
Heritage Assets	0	177,901	177,901
Long Term Assets	1,850,620	170,679	2,021,299
Net Assets	1,538,739	170,679	1,709,418
Unusable Reserves	(1,444,950)	(170,679)	(1,615,629)
Total Reserves	(1,538,739)	(170,679)	(1,709,418)

Effect on the Cash Flow Statement as at 31 March 2011 (comparative figures)

The change in accounting policy had no impact on the cash balances of the authority; however, certain lines of the Cash Flow Statement were affected. The adjustments that have been made to the Cash Flow Statement over the published version in the 2010/11 Statement of Accounts are shown in the table below:

	As Previously Stated as at 31 March 2011 £'000	Restatement £'000	Restated Balances as at 31 March 2011 £'000
Net surplus / (deficit) on the provision of services	(124,175)	13	(124,162)
Adjustment to surplus / (deficit) on the provision of services for non cash movements	213,823	(13)	213,810
Net Cash Flows from Operating Activities	32,831	0	32,831

Please note that the published 2010/11 figures for net cash flows from operating activities have been adjusted to remove the entries for short and long term investments sold. This adjustment has been made to meet the disclosure requirements of the Code. There is no impact on the overall net cash flows from operating activities.

Note 17 provides further detail in respect of heritage assets.

2011/12 Budget

The authority continues to receive some protection within the government grant distribution system, however received a 13.3% reduction in its formula grant allocation in 2011/12. Within this context, the budget setting process for 2011/12 was designed to address both the need to keep the council tax increase as low as possible, thereby improving value for money to the council taxpayer, whilst accommodating substantial service pressures and service improvements in support of the authority's priorities.

On 3 March 2011 the authority approved the revenue and capital budgets for 2011/12 and set a zero council tax increase, resulting in the authority's share of a Band D council tax being set at £1,262.20. The budget had to accommodate considerable on-going demand and other cost pressures, particularly in relation to demand for adult social care services and the impact of the economic downturn. To address all of these pressures and minimise the impact on council taxpayers and front line services, the authority identified a substantial package of savings.

The 2011/12 General Fund revenue budget was set at £232.221m which was funded through formula grant of £112.414m and council tax income of £119.807m. The following tables show how the authority's budget has changed from 2010/11 to 2011/12 and a summary of the local government finance settlement:

How the Authority's Budget has Changed		
	Budget 2011/12	
	£'000	£'000
Budget requirement 2010/11	230,790	251,263
Changes in function and funding	20,473	
Adjusted Base Budget		
Inflation	3,004	(19,042)
Commitments	(13,560)	
Service pressures	14,693	
Efficiency and other savings	(23,179)	
Budget Requirement 2011/12		232,221
Financed By:		
Formula grant		112,414
Council tax		119,807
Total		232,221

Summary of the Local Government Finance Settlement 2011/12				
	Adjusted 2010/11 £'000	Final 2011/12 £'000	Change	
			£'000	%
Formula Grant	129,658	112,414	(17,244)	(13.3)
Total	129,658	112,414	(17,244)	(13.3)

The 2011/12 Housing Revenue Account gross expenditure budget was set at £50.839m which was funded through rental income from council dwellings and other rental streams and service charges.

Further detail on how the authority's budget was distributed across services can be found in the authority's budget report for 2011/12 which is on the authority's website.

The authority prepares a capital programme over a four-year period setting out the authority's investment plans to support service delivery in key priority areas. In 2011/12, the authority planned to spend £103.601m on its capital programme to support service delivery in key priority areas, the majority of this budgeted expenditure was for new capital schemes starting in 2011/12 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 four year period from 2011/12 to 2014/15:

Capital Investment Programme 2011/12 to 2014/15				
	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000
Education	36,180	7,835	6,842	6,299
Transport	8,190	6,576	6,349	7,479
Housing	40,237	23,129	18,504	17,328
Social Services	1,360	1,136	1,100	1,100
Corporate and Other	17,634	4,000	3,500	3,500
Total	103,601	42,676	36,295	35,706
Financed By:				
Government Grants	(46,901)	(14,752)	(13,496)	(14,058)
Capital Receipts	(10,315)	(6,517)	(6,722)	(5,328)
Capital Reserves	(4,397)	(2,866)	(3,271)	(3,400)
External Contributions	(1,196)	0	0	0
Major Repairs Allowance	(7,589)	(7,638)	(7,839)	(8,000)
Direct Revenue Funding	(5,348)	(3,487)	(3,467)	(3,420)
Council Borrowing	(27,855)	(7,416)	(1,500)	(1,500)
Total	(103,601)	(42,676)	(36,295)	(35,706)

Financial Performance

In 2011/12, the authority reported its financial performance across five strategic themes – People, Place, Communities, Finance and Resources and NHS Trust Managed 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 this 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 the following detailed information on the financial performance of the authority by operating segment:

- An analysis of the income and expenditure for each segment which includes those items of income and expenditure that are reported as part of the authority’s internal management reporting;
- A reconciliation between the segment reporting analysis and the cost of services in the Comprehensive Income and Expenditure Statement;
- A reconciliation between the segment reporting analysis and an analysis of total income and expenditure (i.e. a subjective analysis);
- Information on services included within each operating segment.

2011/12 Financial Position - General Fund

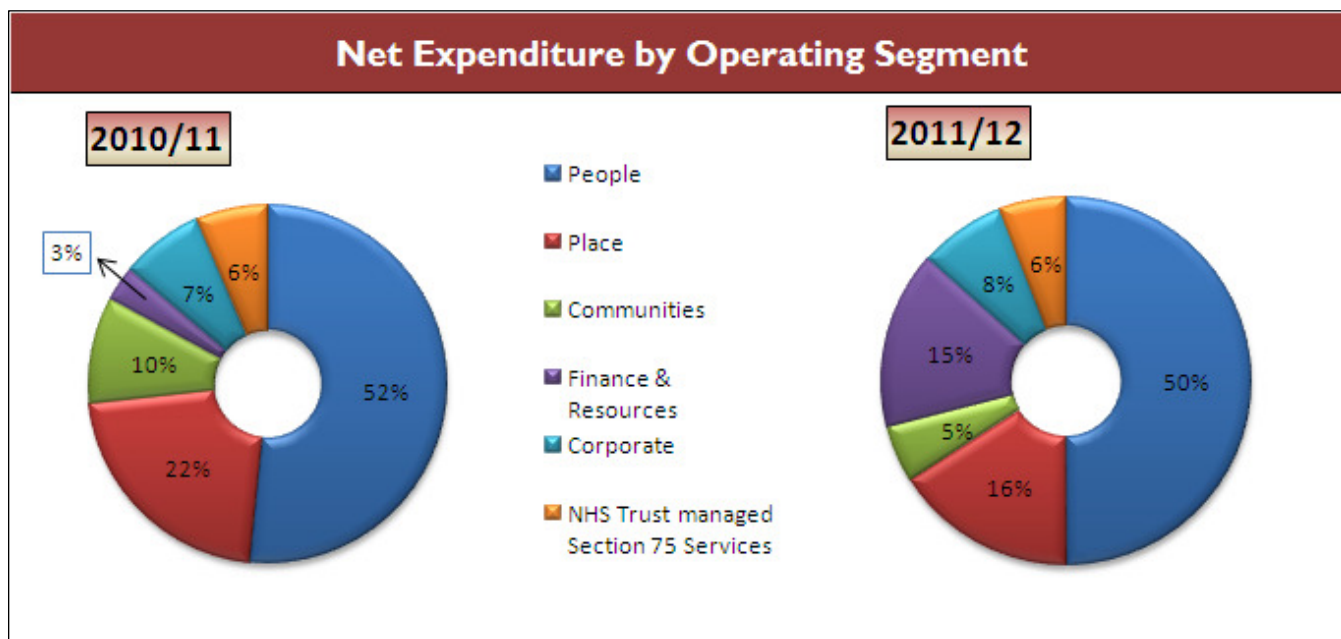
The authority set a budget of £211.750m in respect of General Fund operating segments for 2011/12. The actual spend on the General Fund operating segments was £207.380m, an underspend variation of £4.370m. This underspend represents a 2.06% positive variation on the total budget.

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:

Segments	Revised Budget £'000	Actual £'000	Variance £'000
People	122,145	117,815	(4,330)
Place	38,533	37,925	(608)
Communities	11,945	11,905	(40)
Finance & Resources	38,107	36,737	(1,370)
Corporate	(13,149)	(10,632)	2,517
NHS Trust managed Section 75 Services	14,169	13,630	(539)
Total	211,750	207,380	(4,370)

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

The following chart shows the net expenditure by operating segment in percentage terms:



The overall underspend on General Fund services of £4.370m includes the following significant variations:

- People – the underspend of £4.330m includes the following variations:
 - an underspend of £1.016m in respect of residential agency placements resulting from lower than anticipated numbers of children placed and average unit costs;
 - an underspend of £0.410m on secure placements;
 - an underspend of £0.202m in respect of in house placements resulting from lower than anticipated numbers;
 - an overspend of £0.297m in agency disability placements;
 - an underspend of £0.301m on home to school transport;
 - an overspend of £0.686m in relation to independent foster agency placements due to higher FTE placements than anticipated;
 - an underspend of £0.465m on sure start services;
 - an underspend of £0.492m in respect of the service review of early intervention grant funded services;
 - an overspend of £0.359m on social work teams;
 - an underspend of £0.341m on youth services;
 - an underspend of £0.732m in respect of the older people budget resulting from anticipated growth trends not materialising due to the effectiveness of prevention services;
 - an underspend of £1.036m in relation to learning disabilities resulting from net growth and costs on residential placements being less than anticipated.
- Place – the underspend of £0.608m includes the following variations:
 - an overspend of £0.193m on sustainable transport mainly due to transport policy and the need to secure additional technical support for considering the transport implications of major planning applications in the city;
 - an underspend of £0.250m on parking operations;

- an underspend of £0.112m on city clean and city park budgets;
- an underspend of £0.506m on housing services mainly due to the income for emergency placements being over-achieved;
- an overspend of £0.222m on the travellers budget due to additional costs for security, rubbish clearance and legal fees.
- Finance & Resources – the underspend of £1.370m includes the following variations:
 - an underspend of £0.497m on city services budgets mainly due to income collection and staff vacancies within the Revenues and Benefits team in line with planning for the change in grant funding, overachievement of land charges and other earned income, a review of ICT related costs within the Revenues and Benefits service, income generation within bereavement services and other vacancy control savings;
 - an underspend on housing benefits in respect of an additional £0.551m in subsidy being received by the authority due to errors being held below the government threshold;
 - an underspend of £0.131m on legal services due to greater than anticipated income generation, primarily from increased recovery of court costs, one-off income from property and planning related transactions coupled with savings resulting from delaying recruitment to vacant posts;
 - an underspend of £0.150m in respect of NNDR business rate refunds for Priory House and Bartholomew House;
 - an overspend of £0.111m on human resources staffing;
 - an underspend of £0.248m on financial services in respect of vacancy control and the receipt of additional income.
- Corporate Budgets – the overspend of £2.517m includes the following variations:
 - an overspend of £0.242m in respect of insurance premia which related to an additional contribution being made in the reporting period to the insurance fund;
 - an underspend of £0.408m on concessionary fares mainly due to fixed deal agreements with Brighton & Hove Bus & Coach Company and Stagecoach South being lower than the budget provision;
 - an overspend of £0.205m on financing costs mainly due to a lower than projected recharge to the Housing Revenue Account for interest on borrowings;
 - a corporate VfM savings target of £2.463m is held within this operating segment;
 - an ongoing risk provision of £0.750m that was set aside to cover grants ending not being required in 2011/12 and an additional £0.621m set aside for capital financing costs as a result of the changing profile of debt between the General Fund and HRA, £0.250m for single status costs and £0.100m for Criminal Records Bureau (CRB) check costs;
 - an overspend of £0.275m relating to actuarial costs for staff transferring under the sports and leisure contracts;
 - an overspend of £0.865m relating to dilapidations costs of repairing or returning leased properties back to an agreed condition in accordance with the terms of the lease.

2011/12 Financial Position - Housing Revenue Account (HRA)

The authority set an original gross expenditure budget of £50.839m in respect of the HRA operating segment for 2011/12 which was revised to £50.330m during the reporting period due to a reduction in voluntary repayment of debt and the re-alignment of the Mears partnership contract. The underspend against this revised budget was £2.020m which represents a 4.01% positive variation of the total budget. The following table shows the breakdown of the budget, actual spend and underspend between expenditure and income:

	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure	50,330	48,177	(2,153)
Income	(50,330)	(50,197)	133
Total	0	(2,020)	(2,020)

The underspend of £2.020m included the following significant variations:

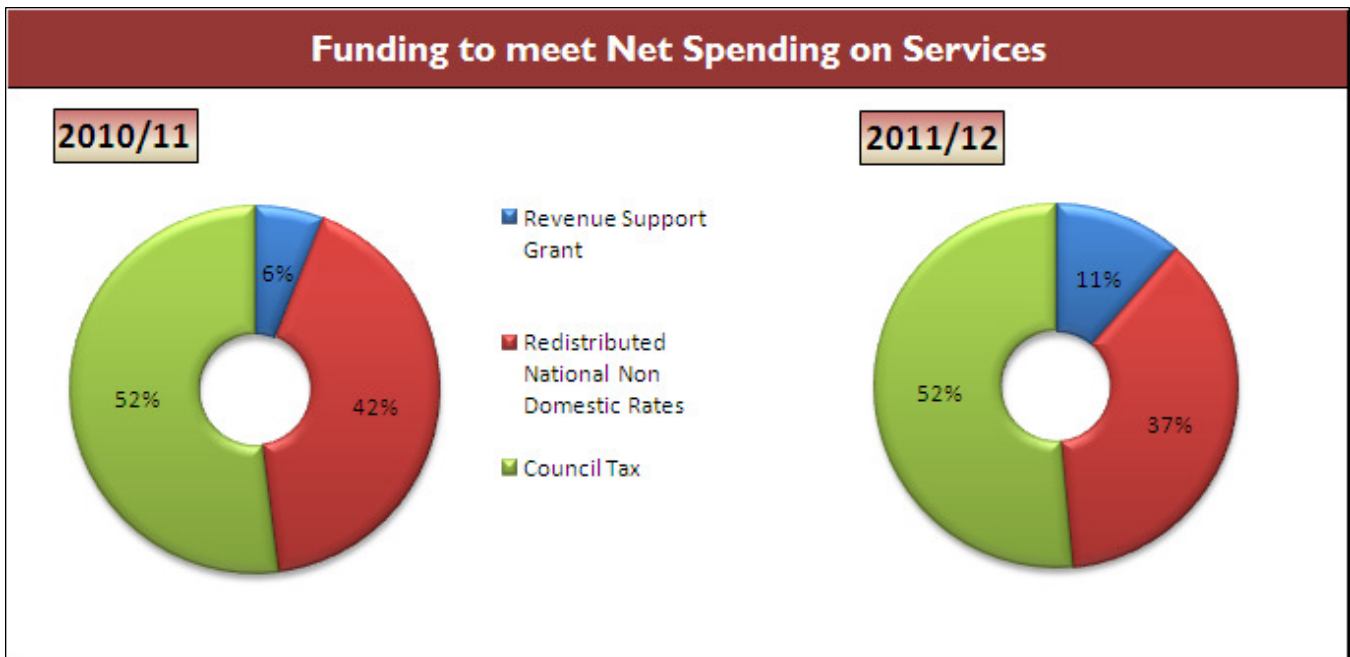
- An underspend of £0.572m on the employees budget of which £0.227m was in relation to TUPE costs for property and investment staff;
- An underspend of £0.538m on the premises repairs budget which included the following variations:

- a saving on the gas servicing and maintenance contract of £0.327m as a result of the rebasing of the open book contract value following the achievement of savings during the last financial year;
- a reduction in the overhead costs for the Repairs Partnership contract of £0.059m as a result of efficiencies in the contract;
- an underspend on the costs of repairs to empty properties by £0.207m due to a reduction in the number of routine empty properties coming through the lettings cycle since the commencement of Brighton & Hove Seaside Community Homes Ltd;
- an overspend of £0.052m for responsive repairs.
- An underspend of £0.020m on other premises budgets which included:
 - an overspend on insurance costs of £0.304m due to a new cost to the HRA of £0.329m in relation to the costs of repairing homes damaged by fire, flood etc. below the insurance excess of £0.025m. This recharge related to costs borne over the last three years which were in excess of the budget;
 - an underspend of £0.255m in relation to prudent accruals for gas and electricity made in the last financial year due to billing problems with the supplier at that time. These were no longer required under the new contractual arrangements;
 - an underspend of £0.053m on the rental cost and business rates of the Housing Centre due to it opening later than anticipated.
- An underspend of £0.469m on transport and supplies budgets which included the following variations:
 - an underspend of £0.135m on the contribution towards the provision for bad debt as a result of an improvement in the collection of rent during 2011/12 which led in turn to a reduction in the rent arrears total, year on year;
 - an underspend on professional and consultancy fees within the property and investment service of £0.123m;
 - an underspend of £0.055m in the costs associated with the transfer incentive scheme due to a reduced level of take-up to that anticipated;
 - further underspends of £0.108m arose relating to professional fees, and efficiencies achieved from the consolidation of stationery and general office expenses budgets and staff embracing the cost reduction culture.
- Capital financing costs underspent by £0.229m due to reduced costs of borrowing as a result of some capital projects being delayed until the following financial year;
- The amount of subsidy payable to the Government underspent by £0.280m. This was mainly due to an increase in the subsidy allowance for capital financing costs as a result of an increase in the consolidated rate of interest by 0.17%;
- Income received was £0.133m less than budgeted due to a number of minor variances including reduced dwellings rental income (£0.083m) and reduced rental income from garages and car parks (£0.035m) due to an increase in the level of empty garages/spaces in the current economic downturn.

The HRA financial statements can be found on pages 111 to 121.

Revenue Summary 2011/12

The authority's net revenue budget after income, for 2011/12 was set at £231.718m (including £0.027m 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:

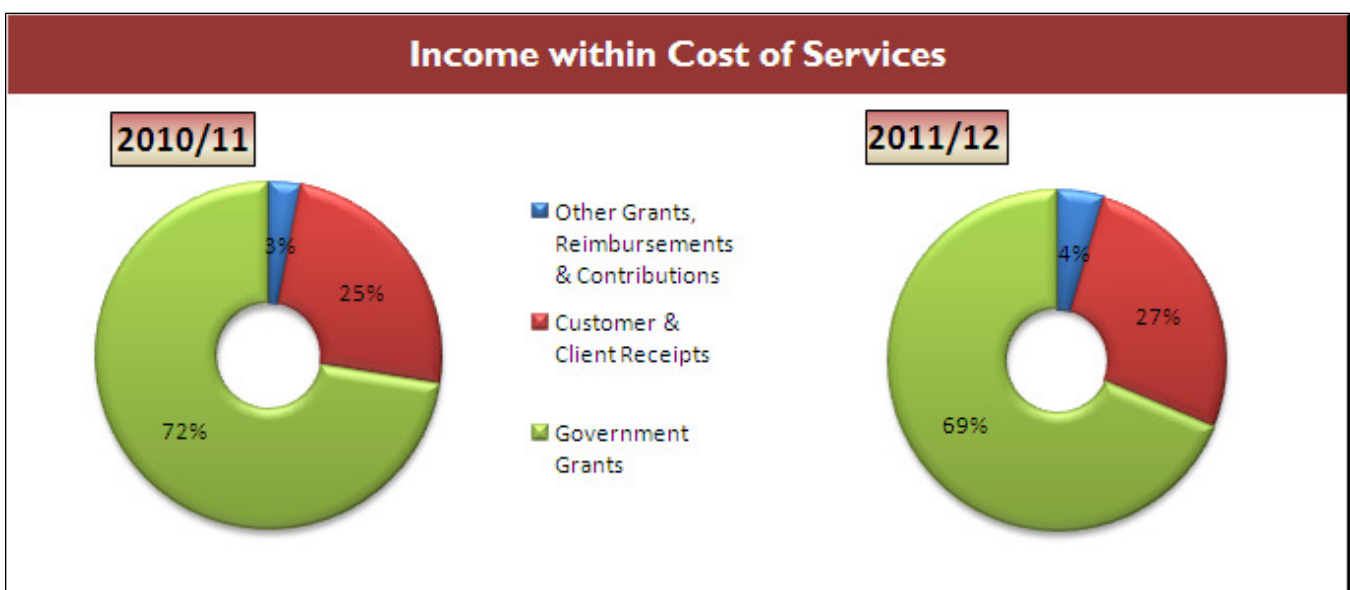


The authority received formula grant of £112.414m in 2011/12, made up of Revenue Support Grant of £26.543m and redistributed non domestic rates of £85.871m. Please refer to note 14 for details of the Revenue Support Grant.

The expected income from council tax received was £119.807m, the difference of £0.530m between the expected income and the amount included in the Comprehensive Income and Expenditure Statement of £119.331m (including £0.027m 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 £115.747m in council tax income in 2011/12. The 4% reduction in council tax received compared to that budgeted was mainly attributable to higher than anticipated entitlement to exemptions and discounts in 2011/12.

Analysis of Income

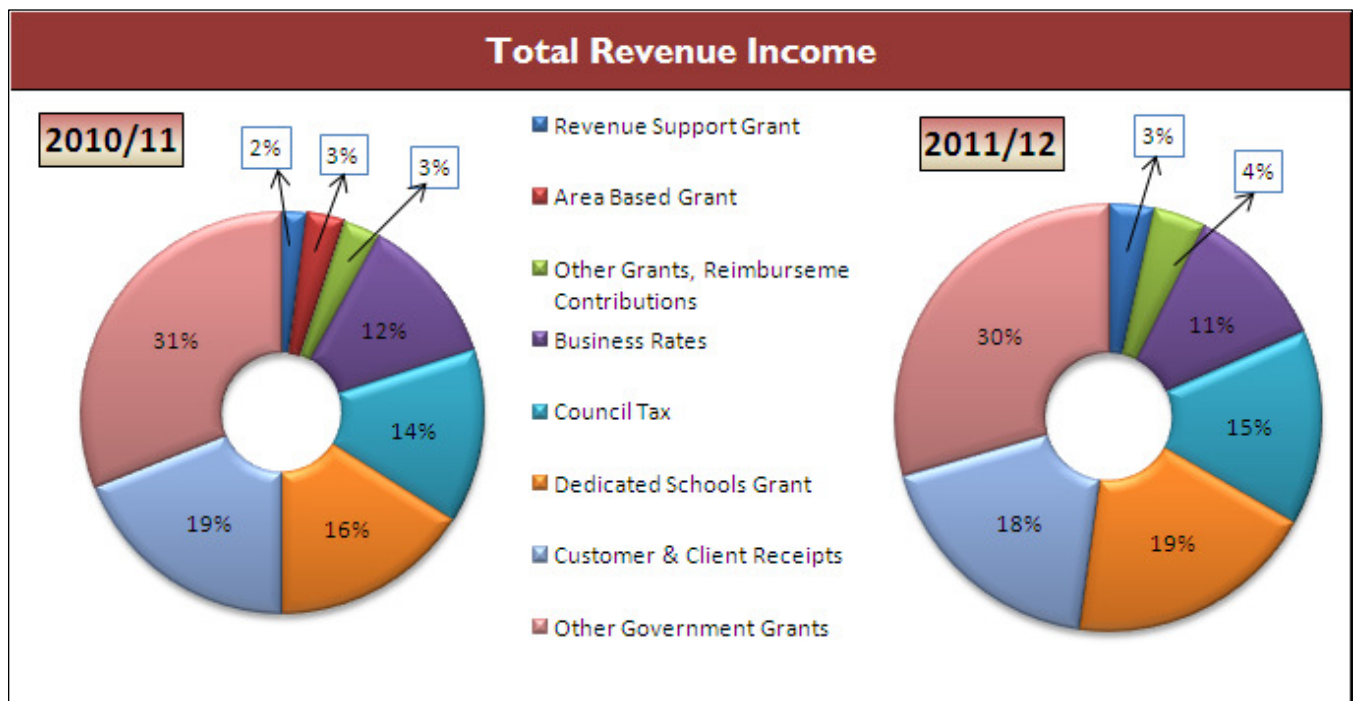
The gross revenue income in 2011/12 for services was £513.829m, as included in cost of services in the Comprehensive Income and Expenditure Statement. The following chart shows the sources of the income in percentage terms:



Government grants include £148.355m dedicated schools grant. Customer and client receipts include rental income (e.g. housing and other property rents) and income from fees and charges.

In addition to the income generated by services and service specific grants, the authority received £26.543m revenue support grant, £85.871m in re-distributed non domestic rates and £115.747m 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:



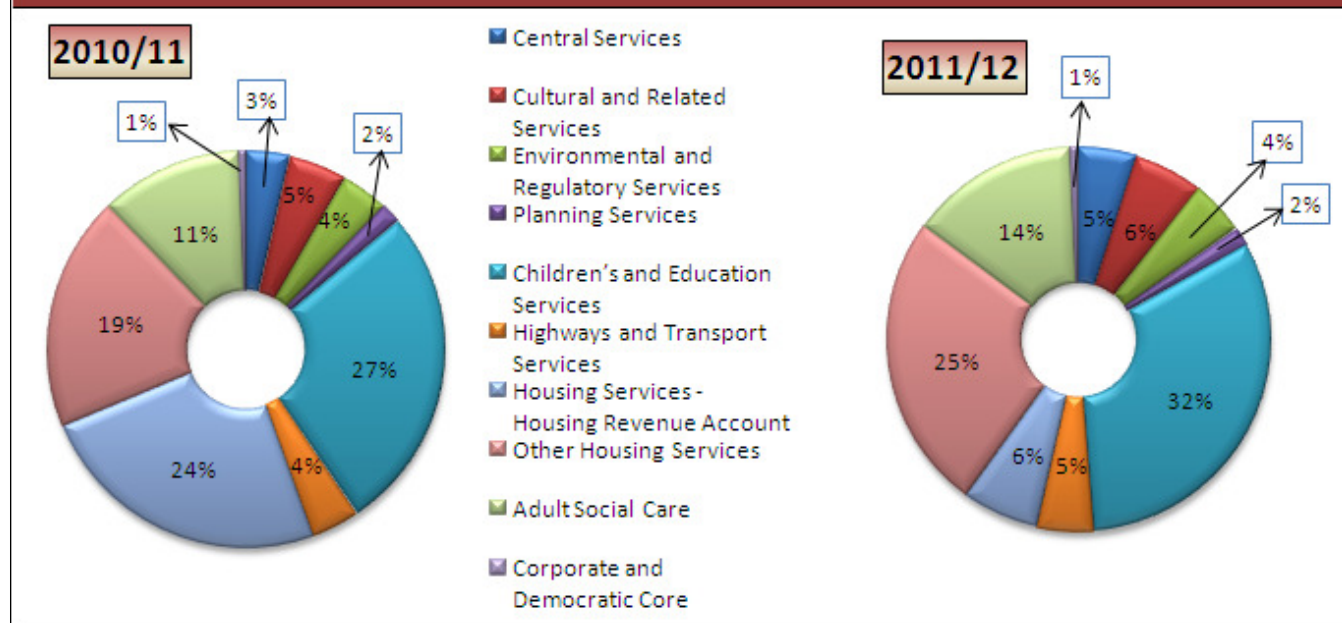
The level of actual revenue income received in year has decreased by £8.597m from £790.321m in 2010/11 to £781.724m in 2011/12; this was mainly due to the following variations:

- The dedicated schools grant increased by £16.761m;
- The formula grant reduced by £17.244m;
- The authority received £13.215m more in income from other grants, reimbursements and contributions;
- Other government grants reduced by £19.997m.

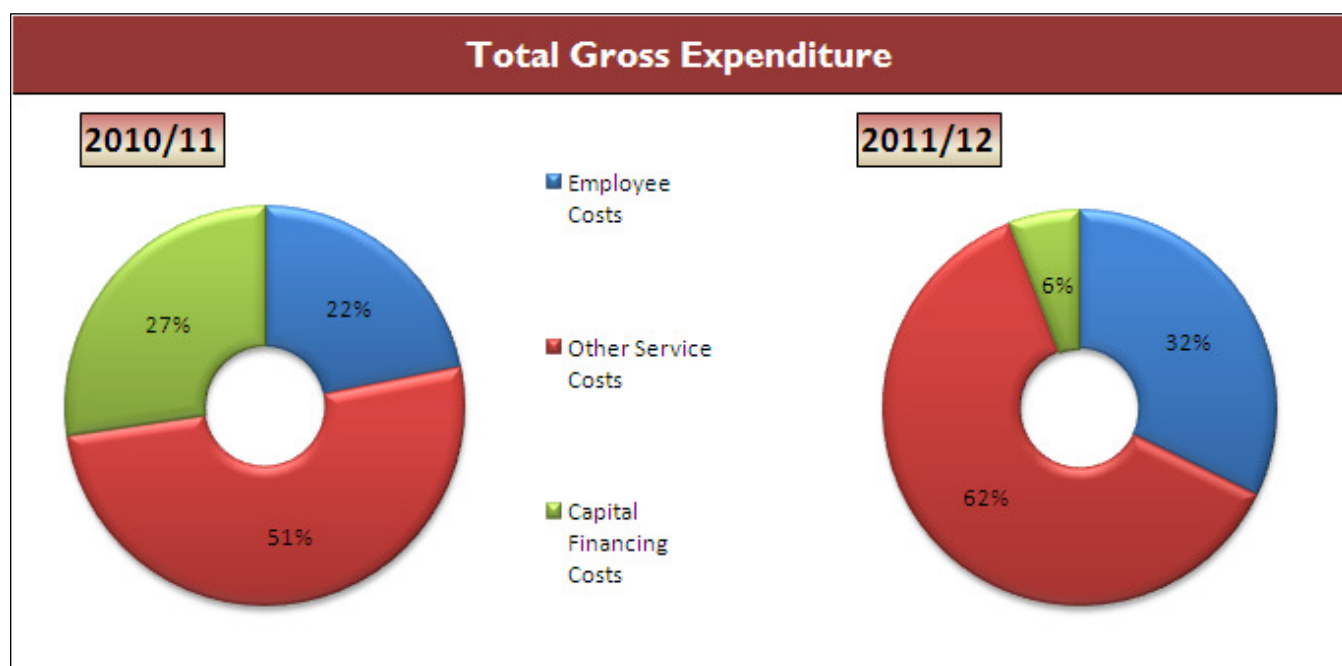
Analysis of Expenditure

The gross revenue expenditure in 2011/12 for services was £793.370m as included within cost of services in the Comprehensive Income and Expenditure Statement. The following chart shows in percentage terms the gross revenue expenditure incurred by the authority analysed across the Service Reporting Code of Practice (SeRCOP) headings:

Gross Expenditure within Cost of Services



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



Further explanation of some 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 the adjustments required to adjust employee costs to a IAS 19 basis;
- 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 associations, 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, impairment of non current assets, revenue expenditure funded from capital under statute and provision for repayment of debt.

The gross expenditure for services in 2011/12 has reduced by £143.367m compared to 2010/11. This decrease is mainly in respect of the exceptional items within 2010/11 in respect of the downward valuation of HRA housing stock and increased past service costs in respect of defined benefit pension schemes being one off exceptional items and not reoccurring in 2011/12.

Capital Summary

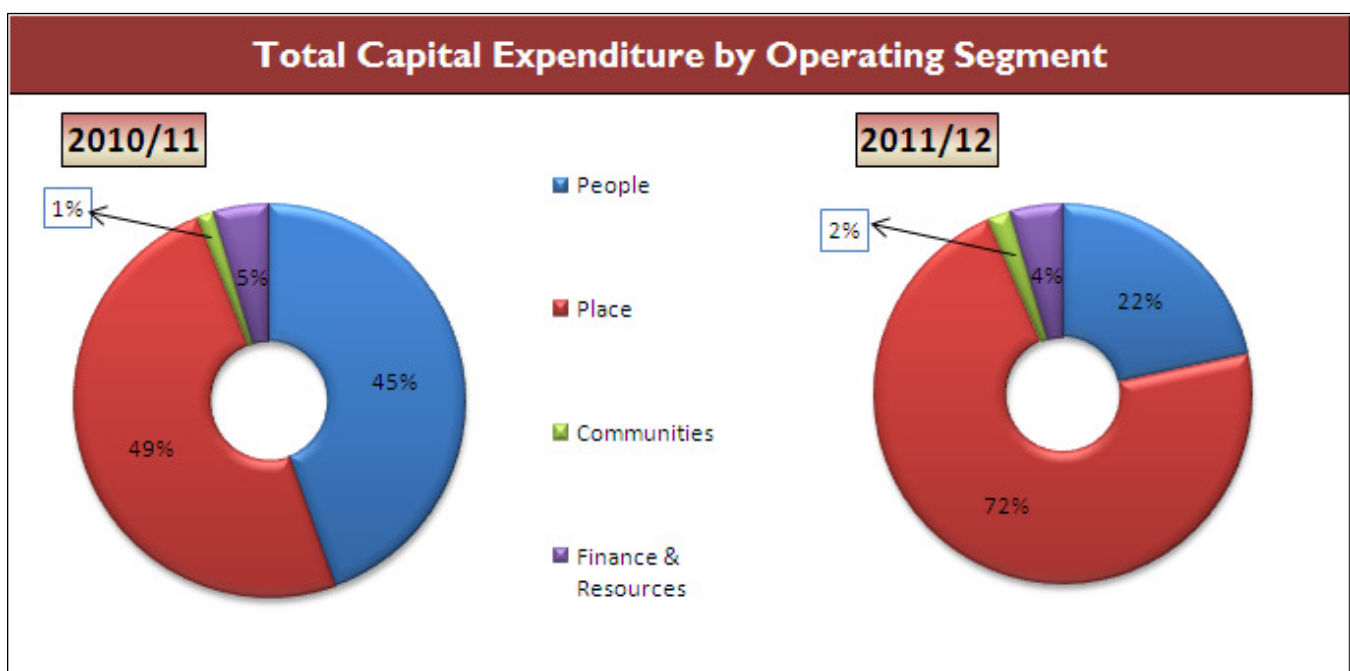
The authority has delivered a significant capital investment programme this year in partnership with a wide range of external bodies, developing successful bids for funding from central government, lottery and other external bodies, as well as the prudent use of borrowing.

Capital expenditure totalled £119.584m in 2011/12 compared with the final approved budget of £120.483m. The variance of £0.899m includes slippage (delays) of £1.535m which has been carried forward into 2012/13 to meet the authority's ongoing capital commitments. No current or future resources were lost as a result of capital investment programme slippage. The variance also includes an overspend of £0.563m in respect of additional capital costs incurred by the authority on the ongoing major project work at the Brighton Centre above the estimated level. Discussions are still ongoing with the contractor regarding final contract sums; however, in the interim, £0.307m of the additional costs has been funded from the Brighton Centre Reserve and £0.258m has been funded by a revenue contribution from the Tourism and Leisure Delivery Unit.

Many large and smaller capital projects were undertaken in 2011/12 and included expenditure on council dwellings (£24.058m), education (£25.266m), infrastructure (£56.900m), private sector renewal grants, disabled facilities grants and energy efficiency in respect of housing (£3.306m), accommodation strategy (£2.023m) and the Brighton Centre and the Historical Records Centre (£2.648m).

The level of capital expenditure has increased by £34.736m from £84.848m in 2010/11 to £119.584m in 2011/12; this overall increase related mainly to £48.475m of capital expenditure in relation to the energy recovery facility which forms part of the waste PFI contract offset by a reduction in the region of £11m in respect of expenditure on capital schemes within schools which are funded largely by capital grant funding.

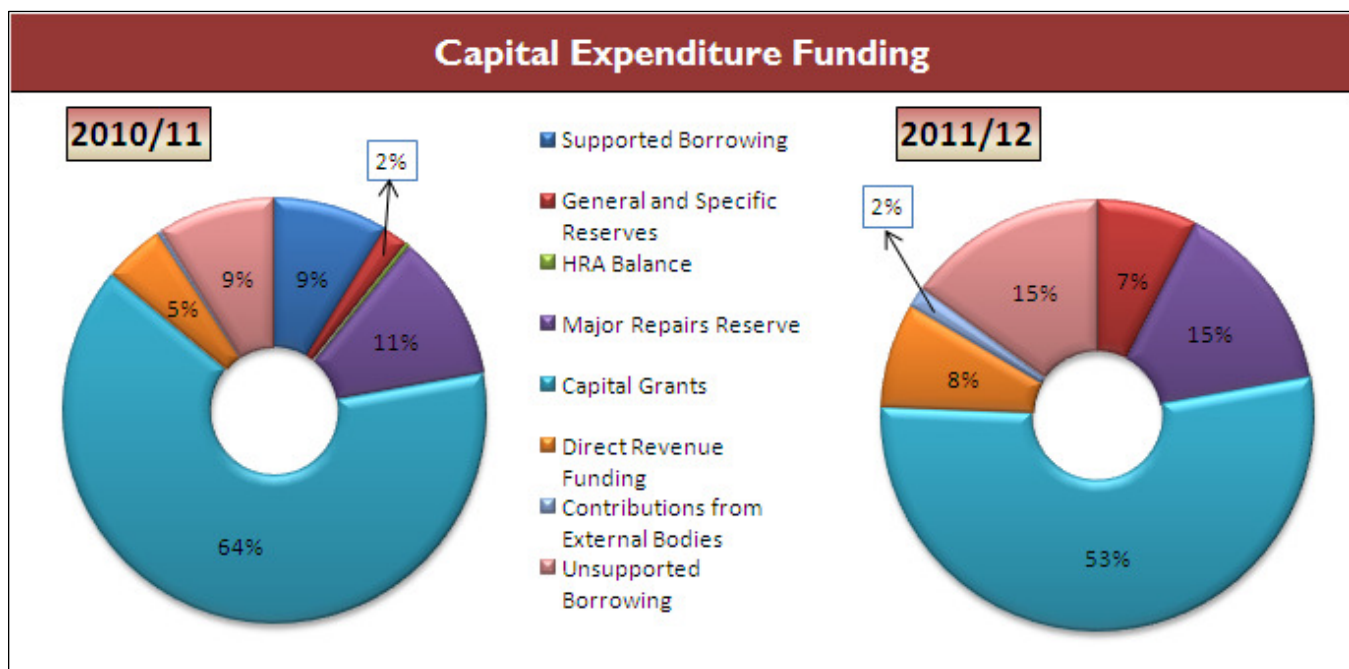
The following chart shows the total programmed capital expenditure split by operating segment in percentage terms:



The authority's 2011/12 capital programme was funded from various internal and external sources. The following table details that funding:

	Total £'000
Capital Outturn	119,584
Total Funding Requirement	119,584
Funding:	
General and Specific Reserves	(4,955)
Capital expenditure financed by the Major Repairs Reserve (MRR)	(9,587)
Capital Grants	(35,065)
Contributions from External Bodies	(1,030)
Capital Receipts	(5,504)
Direct Revenue Funding	(5,146)
Increase in PFI Liability re New Operational Asset	(33,153)
Use of PFI Prepayment Reserve re New Operational Asset	(15,322)
Unsupported Borrowing	(9,822)
Total Funding	(119,584)

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 effectively manage risk 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.

The level of working balances held is a professional judgement by the authority based on local circumstances including the overall budget size, risks, robustness of estimates, major initiatives being undertaken, budget assumptions, the levels of other earmarked reserves and provisions and the authority's track record in financial management. The minimum level of working balances deemed appropriate for the authority are set at £9m for the General Fund and £2.3m for the HRA.

The underspend in 2011/12 for both the General Fund and HRA are included in the authority's working balances.

The following table shows the working balance position for both the General Fund and HRA:

	Total £'000
GENERAL FUND	
Balances at 1 April 2011	(16,137)
Contribution to balances	(4,370)
Net transfer to earmarked reserves	3,531
Balance at 31 March 2012	(16,976)
Recommended General Fund Balance	(9,000)
HOUSING REVENUE ACCOUNT	
Balances at 1 April 2011	(4,700)
Contribution to balances	(2,020)
Balance at 31 March 2012	(6,720)
Recommended HRA Balance	(2,300)

The authority also holds earmarked reserves for both the General Fund and HRA. The General Fund earmarked reserves as at 31 March 2012 were £56.742m and the HRA earmarked reserves as at 31 March 2012 were £0.940m. Note 10 provides information of the specific earmarked reserves held by the authority.

Collection Fund

In 2011/12 there was an in-year deficit of £0.623m on the Collection Fund. The in-year deficit related mainly to a higher than anticipated entitlement to exemptions and discounts. The Collection Fund statement and notes can be found on pages 122 to 123.

Housing Local Delivery Vehicle

The authority set up Brighton & Hove Seaside Community Homes Ltd, a not for profit charity company, 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; this transfer commenced in November 2011 with 150 properties transferred as at 31 March 2012. 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 2011 for the 150 transferred properties was £10.038m; 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 £6.462m 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. A further sum of £2.058m is due to the authority when certain works to the transferred properties are completed.

The authority has a contingent liability in respect of Brighton & Hove Seaside Community Homes Ltd. 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. The authority is not able to determine the probability of the indemnity being called upon in the long-term as the level of future rental income is dependent upon factors outside the authority's control. However, on the basis of current rent levels the authority has considered the probability of the indemnity being called upon within the next twelve months as being very low.

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 £85.297m, from £2,016.715m in 2010/11 to £2,102.012m in 2011/12.

The authority has purchased £113.031m and disposed of £25.231m of non current assets in the year.

During 2011/12, the authority's valuers, Wilks Head and Eve, assessed that as at 1 April 2011 there should be a reduction in the value of council dwellings resulting in a revaluation loss of £12.067m, after reversing the previous years depreciation of £8.029m. A further impairment review report was commissioned by the authority which reported a recovery of valuations by 1.7% leading to a reversal of the revaluation loss of £9.637m.

Other asset values have increased by £32.617m due to valuations carried out in the year of which £6.734m related to impairments and £4.323m related to revaluation losses both of which were charged to the Comprehensive Income and Expenditure Statement. There was also a net revaluation increase of £45.903m charged to the revaluation reserve and changes in valuations on investment properties of £2.086m.

Assets have been depreciated in year by £40.819m.

Notes 16 to 20 to the financial statements provide further information on non current assets held by the authority.

The authority entered into three 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 £1.887m. In addition, the properties transferred to Brighton & Hove Seaside Community Homes Ltd were transferred under finance leases (see section "housing local delivery vehicle" above). The authority did not enter into any additional operating leases as lessee in the reporting period. Note 22 provides details on leases and lease type arrangements.

The authority has componentised one asset in the reporting period in respect of the King Alfred Leisure Centre which has a gross book value as at 31 March 2012 of £54.906m. This asset was revalued in the reporting period. The depreciation charge for these componentised assets was calculated on the revalued amount and totalled £2.030m; being an increase of £0.932m in comparison to the level of depreciation charge if the assets had not been componentised. In 2011/12, £0.712m of capital expenditure was added to already componentised assets; no de-recognition of components took place as the individual amounts were immaterial.

The new accounting policy for heritage assets led to a number of reclassifications of non current assets. The "significant changes in accounting policies" section of this explanatory foreword provides more details. Note 17 provides details of heritage assets held by the authority.

Pensions Liability

The authority's net liability for future pension payments, as estimated by the pensions actuary, Hyman Robertson, has increased from £106.557m at 31 March 2011 to £155.645m at 31 March 2012, an increase of £49.088m. The pension's actuary has advised that the increase in the deficit is due to falling real bond yields and poor asset returns.

In relation to past service costs, with effect from 2010/11 the past service costs have been based on the Consumer Prices Index (CPI), previous to this they were based on the Retail Price Index (RPI). This led to a one off significant decrease in 2010/11 in the past service cost to reflect this change which did not reoccur in 2011/12.

The current service cost has decreased, by £3.805m, there was an increase in the real discount rate from March 2010 to March 2011; this serves to make the cost of new benefits earned by employee members over 2011/12 less expensive than was the case in 2010/11. In addition, the service cost has also been affected by the actuary basing assumptions on the start of the period (i.e. 1 April 2011) rather than at the end of the period.

The financial and demographic assumptions, used by the pension actuary, are consistent with those used in the previous year.

The overall deficit on the pension fund of £155.645m represents the difference between the value of the authority's pension fund assets as at 31 March 2012 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 £576.208m as at 31 March 2011 to £599.362m as at 31 March 2012, an increase of £23.154m. The value of the future pension payments liability has increased from £682.765m as at 31 March 2011 to £755.007m as at 31 March 2012, an increase of £72.242m.

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.

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 2012, the authority's level of borrowing was £216.655m (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 2011/12 was approved at Cabinet in March 2011. 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 increased in year by £26.469m. The following table shows the level of borrowing as at the Balance Sheet date:

	31 March 2011 £'000	31 March 2012 £'000
Short term borrowing	(9,738)	(4,946)
Bank overdraft	(4,731)	(6,884)
Long term borrowing	(175,717)	(204,825)
Total borrowing	(190,186)	(216,655)
(Increase)/Decrease year on year	17,909	(26,469)

To counter the increased risk to rising interest rates, the authority entered into three forward borrowing deals totalling £30.0m. In February 2012, the last of these deals totalling £10.0m became operational. In addition, as a result of the abolishment of the HRA subsidy system from April 2012, the authority was required to take on additional debt totalling £18.081m. This amount was paid to central government on 28th March 2012, funded by five long-term loans with varying maturity dates. The authority repaid two loans totalling £6.0m during 2011/12. Note 36 to the financial statements provides further information on borrowings.

Investments

At 31 March 2012, the authority held investments of £52.911m. Investments are made by the in-house treasury 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 2011/12 was approved at Cabinet in March 2011.

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 reduced in year by £4.082m. The following table shows the level of investments made as at the Balance Sheet date:

	31 March 2011 £'000	31 March 2012 £'000
Short term investments	32,969	29,789
Cash Equivalents	24,024	23,122
Long term investments	0	0
Total investments	56,993	52,911
(Increase)/Decrease year on year	13,971	(4,082)

The authority has placed new short term investments of £599.480m in 2011/12 and has realised cash from the maturity of short term investments of £603.611m. 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 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.

Nigel Manvell CPFA
Acting Director of Finance (Section 151 Officer)

Statement of Responsibilities

The Authority's Responsibilities

The authority is required to:

- (i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Director of Finance;
- (ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- (iii) approve the Statement of Accounts.

The Director of Finance Responsibilities

The Director of Finance is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA¹ Code of Practice on Local Authority Accounting in the United Kingdom. The Director of Finance 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 2012.

In preparing this Statement of Accounts the Director of Finance 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 Director of Finance 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 2012 and its income and expenditure for the year ended 31 March 2012.

Nigel Manvell CPFA
Acting Director of Finance (Section 151 Officer)
25 September 2012

¹ Chartered Institute of Public Finance and Accountancy

Certification by Chairman

I confirm that these accounts were approved by the Audit and Standards Committee at a meeting held on 25 September 2012.

Signed on behalf of Brighton & Hove City Council

Leslie Hamilton
Chairman
Audit and Standards Committee

Date 25 September 2012



Brighton & Hove City Council

**Single Entity
Core Financial Statements
2011/12**

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 undertaken by the authority.

Movement in Reserves during 2010/11	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 2010		(9,205)	(68,986)	(3,623)	(3,520)	(2)	(1,367)	(86,703)	(1,474,618)	(1,561,321)
(Surplus) / Deficit on the Provision of Services		(79,619)	0	203,781	0	0	0	124,162	0	124,162
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	(272,256)	(272,256)
Total Comprehensive Income and Expenditure		(79,619)	0	203,781	0	0	0	124,162	(272,256)	(148,094)
Adjustments between Accounting Basis and Funding Basis under Regulations	9	74,004	0	(205,782)	0	(1,623)	229	(133,172)	133,172	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		(5,615)	0	(2,001)	0	(1,623)	229	(9,010)	(139,084)	(148,094)
Transfers (to) / from Earmarked Reserves	10	(1,317)	1,068	924	1,022	250	(23)	1,924	(1,927)	(3)
(Increase) / Decrease in Year		(6,932)	1,068	(1,077)	1,022	(1,373)	206	(7,086)	(141,011)	(148,097)
Balance at 31 March 2011		(16,137)	(67,918)	(4,700)	(2,498)	(1,375)	(1,161)	(93,789)	(1,615,629)	(1,709,418)

Please note that the comparative Movement in Reserves Statement above has been restated to reflect the new accounting policy for heritage assets. The “significant changes in accounting policies” section of the Explanatory Foreword provides more detail.

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		(16,137)	(67,918)	(4,700)	(2,498)	(1,375)	(1,161)	(93,789)	(1,615,629)	(1,709,418)
(Surplus) / Deficit on the Provision of Services		3,688	0	9,410	0	0	0	13,098	0	13,098
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	6,162	6,162
Total Comprehensive Income and Expenditure		3,688	0	9,410	0	0	0	13,098	6,162	19,260
Adjustments between Accounting Basis and Funding Basis under Regulations	9	3,283	0	(11,461)	0	(2,219)	(1,349)	(11,746)	11,746	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		6,971	0	(2,051)	0	(2,219)	(1,349)	1,352	17,908	19,260
Transfers (to) / from Earmarked Reserves	10	(7,810)	11,176	31	1,558	0	0	4,955	(4,955)	0
(Increase) / Decrease in Year		(839)	11,176	(2,020)	1,558	(2,219)	(1,349)	6,307	12,953	19,260
Balance at 31 March 2012		(16,976)	(56,742)	(6,720)	(940)	(3,594)	(2,510)	(87,482)	(1,602,676)	(1,690,158)

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 2011			Note		Year Ended 31 March 2012		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
				Continuing Services			
36,575	(28,407)	8,168		Central Services	39,740	(34,715)	5,025
48,145	(16,119)	32,026		Cultural and Related Services	45,867	(14,384)	31,483
39,978	(6,498)	33,480		Environmental and Regulatory Services	34,460	(5,642)	28,818
16,628	(6,008)	10,620		Planning Services	12,610	(5,015)	7,595
272,521	(200,511)	72,010		Children's and Education Services	252,751	(174,446)	78,305
40,477	(26,442)	14,035		Highways and Transport Services	37,520	(25,401)	12,119
26,051	(47,241)	(21,190)		Housing Services - Housing Revenue Account (HRA)	33,198	(48,930)	(15,732)
222,077	0	222,077		Exceptional Item in respect of revaluation of housing stock	0	0	0
0	0	0	4	Exceptional Item in respect of HRA self financing	18,081	0	18,081
195,386	(175,183)	20,203		Other Housing Services	198,986	(175,102)	23,884
118,106	(34,658)	83,448		Adult Social Care	112,598	(30,194)	82,404
6,259	0	6,259		Corporate and Democratic Core	5,937	0	5,937
331	0	331		Non Distributed Costs	1,622	0	1,622
(82,729)	0	(82,729)		Exceptional Item in respect of past service costs	0	0	0
939,805	(541,067)	398,738		Cost of Services	793,370	(513,829)	279,541
4,555	(2,520)	2,035	4,11	Other Operating Expenditure	26,618	(8,874)	17,744
26,998	(8,163)	18,835	12	Financing and Investment Income and Expenditure	15,882	(4,861)	11,021
0	(295,446)	(295,446)	13	Taxation and Non-Specific Grant Income	0	(295,208)	(295,208)
971,358	(847,196)	124,162		(Surplus) / Deficit on the Provision of Services	835,870	(822,772)	13,098
		(97,995)	16,17	Surplus on Revaluation of Non Current Assets			(45,903)
		(13)	26,36	(Surplus) / Deficit on Revaluation of Available for Sale Financial Assets			7
		(174,248)	33	Actuarial (Gains) / Losses on Pension Assets and Liabilities			52,058
		(272,256)		Other Comprehensive Income and Expenditure			6,162
		(148,094)		Total Comprehensive Income and Expenditure			19,260

Please note that the comparative figures of the Comprehensive Income and Expenditure Statement above have been restated to reflect the new accounting policy for heritage assets. The "significant changes in accounting policies" section of the Explanatory Foreword 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 2010 £'000	As at 31 March 2011 £'000	Note		As at 31 March 2012 £'000
1,880,083	1,788,155	16	Property, Plant and Equipment	1,870,431
177,721	177,901	17	Heritage Assets	182,301
50,073	44,156	18	Investment Property	44,674
3,438	3,205	20	Intangible Assets	2,768
1,398	1,398	19	Assets Held for Sale	0
19,341	6,484	37	Long Term Debtors	6,517
2,132,054	2,021,299		Long Term Assets	2,106,691
26,707	32,969	36	Short Term Investments	29,789
954	853		Inventories	855
49,017	55,234	36,37	Short Term Debtors	36,954
16,315	24,024	34,36	Cash Equivalents	23,122
2,176	1,900	19	Assets Held for Sale	1,838
95,169	114,980		Current Assets	92,558
(2,739)	(4,731)	34,36	Bank Overdraft	(6,884)
(43,713)	(9,738)	36	Short Term Borrowing	(4,946)
(58,183)	(68,570)	36,38	Short Term Creditors	(62,066)
(4,780)	(5,020)	24	Provisions	(4,393)
(109,415)	(88,059)		Current Liabilities	(78,289)
(1,798)	(7,220)	24	Provisions	(4,614)
(161,643)	(175,717)	36	Long Term Borrowing	(204,825)
(383,176)	(134,529)	23,33	Other Long Term Liabilities	(215,060)
(9,870)	(21,336)	14	Capital Grant Receipts in Advance	(6,303)
(556,487)	(338,802)		Long Term Liabilities	(430,802)
1,561,321	1,709,418		Net Assets	1,690,158
(86,703)	(93,789)	25	Usable Reserves	(87,482)
(1,474,618)	(1,615,629)	26	Unusable Reserves	(1,602,676)
(1,561,321)	(1,709,418)		Total Reserves	(1,690,158)

Please note that the comparative figures of the Balance Sheet above have been restated to reflect the new accounting policy for heritage assets. The "significant changes in accounting policies" section of the Explanatory Foreword provides more detail.

The unaudited accounts were issued on 19 June 2012 and the audited accounts were authorised for issue on 25 September 2012.

Nigel Manvell CPFA
Acting Director of Finance (Section 151 Officer)
25 September 2012

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.

2010/11 £'000	Note		2011/12 £'000
(124,162)		Net surplus / (deficit) on the provision of services	(13,098)
213,810		Adjustment to surplus / (deficit) on the provision of services for non cash movements	61,282
(56,817)		Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	(44,740)
32,831	34	Net Cash Flows from Operating Activities	3,444
(9,891)	34	Net cash flows from investing activities	(33,746)
(17,223)	34	Net cash flows from financing activities	27,247
5,717		Net Increase / (Decrease) in Cash and Cash Equivalents	(3,055)
13,576	34	Cash and Cash Equivalents as at 1 April	19,293
19,293	34	Cash and Cash Equivalents as at 31 March	16,238

Please note that the comparative figures of the Cash Flow Statement above have been restated to reflect the new accounting policy for heritage assets. The "significant changes in accounting policies" section of the Explanatory Foreword provides more detail.

Notes to the Core Financial Statements

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 163.

In 2011/12, the Code introduced a change to the treatment in accounting for heritage assets held by the authority. The authority is required to change its accounting policy for heritage assets and recognise them at valuation on the Balance Sheet. Previously, heritage assets were either recognised as community assets (at cost), other land and buildings and vehicles, furniture, plant and equipment under property, plant and equipment on the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The authority's accounting policies for recognition and measurement of heritage assets are set out in the authority's summary of significant accounting policies. Prior period adjustments have been made to the accounts to reflect this change in accounting policy. Details of the adjustments made can be found in the explanatory foreword in the section on "Significant Changes in Accounting Policies".

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme which was introduced in 2011/12. The authority has included a new accounting policy in respect of the CRC scheme in its summary of significant accounting policies.

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

The Code has adopted the amendments to IFRS 7 *Financial Instruments: Disclosures*, which will need to be adopted fully by the authority in the 2012/13 financial statements. This is not a change in accounting policy that will require the publication of a Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) in the 2012/13 financial statements.

In October 2010, the International Accounting Standards Board (IASB) issued amendments to IFRS 7 *Financial Instruments: Disclosures (Transfers of Financial Assets)*. The amendments replace the previous requirements with detailed disclosures that are designed to assist the users of the authority's financial statements to evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on the authority's financial position. Such transfers are not common transactions for local authorities and the authority will assess the disclosure requirements required should this type of transaction occur in the 2012/13 financial year. The authority did not have any such transactions in the reporting period.

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, impairment of financial assets. The authority's accounting policies include details on the calculation of these accounting estimates.

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 2012/13 was approved in February 2012;
- 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;
- 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 Material Items of Income and Expense

There is a material item of £18.081m included on the face of the Comprehensive Income and Expenditure Statement in respect of the HRA self financing settlement.

For the reporting period, the authority's HRA was 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.

The subsidy system has been abolished by the Localism Act and has been replaced with a new system of self financing which came into effect from 1 April 2012. Under self financing, the authority will no longer be required to transfer its resources to central government, but in return will be required to take on additional debt called the 'self financing settlement', at a level which is sustainable in the long term. 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 council homes.

The authority was required, under the Settlement Payments Direction, to make the settlement payment to the Secretary of State on or before 28 March 2012 and it is therefore a transaction in the current reporting period. The level of additional debt in respect of the self financing settlement was £18.081m.

The other operating expenditure line on the Comprehensive Income and Expenditure Statement includes a material item in respect of a loss on the disposal of non current assets of £16.397m in 2011/12 which includes £11.6m for demolished assets of which £7.7m was due to the demolition of the north block at Falmer school which occurred as part of the new academy being built. The amount of £16.397m also includes the net effect of the transactions relating to the council dwellings which were transferred to Brighton & Hove Seaside Community Homes Ltd. This item is not shown separately on the face of the Comprehensive Income and Expenditure Statement as it is not considered to affect the fair presentation of the financial statements. Note 11 provides further details of items included in other operating expenditure.

5 Events after the Balance Sheet Date

These accounts were authorised for issue by the Director of Finance on 25 September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no events after the Balance Sheet date to report or adjust for in the reporting period.

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 agree 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 and East Sussex Fire Authorities. 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 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.

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 2011/12 is £68.209m (£69.826m 2010/11) of which the authority made a contribution of £57.079m (£56.564m 2010/11) in 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:

	2010/11 £'000	2011/12 £'000
Brighton & Hove City Council	56,564	57,079
Brighton & Hove City Primary Care Trust	1,707	1,430
Sussex Community Trust	11,555	9,700
Total	69,826	68,209

The expenditure of £1.430m 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 £43.073m (£37.734m 2010/11) to the various pooled arrangements in 2011/12. 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 2011/12 is £86.944m (£80.510m 2010/11) including PCT commissioning contributions. This has been expended by lead providers as follows:

	2010/11 £'000	2011/12 £'000
Sussex Community Trust	4,768	7,837
Sussex Partnership Foundation Trust	44,631	49,664
Brighton & Hove City Council	31,111	29,443
Total	80,510	86,944

Please note the contribution of £43.073m 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:

	2010/11 £'000	2011/12 £'000
Funding provided to the Pooled Arrangement:		
Brighton & Hove City Primary Care Trust	(6,858)	(598)
Brighton & Hove City Council	(24,251)	(29,443)
	(31,109)	(30,041)
Net Expenditure met from the Pooled Arrangement:		
Sussex Partnership Foundation Trust	685	598
Brighton & Hove City Council	30,424	29,443
	31,109	30,041
Net (Surplus)/Deficit arising on the Pooled Arrangement during the year	0	0

9 Adjustments between Accounting Basis and Funding Basis under Regulations

This note 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 111 to 121.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. Any balance on the Major Repairs Reserve represents MRA that has yet to be applied at the year end. Note 4 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 2 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:

2011/12	Movement in Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT						
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)	(2,477)	0	0	0	6,753
Movements in the market 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)
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)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT						
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)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE						
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 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	Movement in Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE						
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)
ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE						
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
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT						
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)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE						
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)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT						
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
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT						
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)
Total Adjustments between accounting basis and funding basis under regulations	3,283	(11,461)	(2,219)	0	(1,349)	11,746

2010/11	Movement in Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT						
Charges for depreciation and impairment of non current assets	(41,310)	(209,042)	0	(8,464)	0	258,816
Revaluation losses on Property, Plant and Equipment	0	0	0	0	0	0
Movements in the market value of Investment Properties	(5,571)	0	0	0	0	5,571
Amortisation of intangible assets	(1,217)	0	0	(32)	0	1,249
Capital grants and contributions applied	53,602	0	0	0	0	(53,602)
Revenue expenditure funded from capital under statute	(10,679)	(1,644)	0	0	0	12,323
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	(2,112)	(948)	0	0	0	3,060
Statutory provision for the financing of capital investment	7,539	0	0	0	0	(7,539)
Voluntary provision for the financing of capital investment	2,240	0	0	0	0	(2,240)
Capital expenditure charged against the General Fund and HRA balances	524	3,426	0	0	0	(3,950)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	682	0	0	0	(682)	0
Application of grants to capital financing transferred to the Capital Adjustment	0	0	0	0	911	(911)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE						
Transfer of cash sale proceeds credited as part of the gain /loss on disposal to the Comprehensive Income and Expenditure Statement	898	1,635	(2,549)	0	0	16
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	(13)	13	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(1,207)	0	1,207	0	0	0
Transfer of improvement grant repayments to Capital Receipts Reserve	154	0	(154)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(140)	0	0	140

Please note that the comparative figure for charges for depreciation and impairment of non current assets in the table above has been restated to reflect the new accounting policy for heritage assets. The “significant changes in accounting policies” section of the Explanatory Foreword provides more detail.

The comparative figures for the provision for the financing of capital investment have also been restated to show the correct split between statutory and voluntary.

2010/11	Movement in Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	6	0	0	0	0	(6)
ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE						
Reversal of Major Repairs Allowance credited to the HRA	0	9,506	0	0	0	(9,506)
Use of the Major Repairs Reserve to finance new capital expenditure	0	(8,496)	0	8,496	0	0
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT						
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	45	336	0	0	0	(381)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	52,410	(1,303)	0	0	0	(51,107)
Employer's pension contributions and direct payments to pensioners payable in the year	20,977	809	0	0	0	(21,786)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT						
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	(2,785)	0	0	0	0	2,785
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT						
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	(192)	(48)	0	0	0	240
Total Adjustments between accounting basis and funding basis under regulations	74,004	(205,782)	(1,623)	0	229	133,172

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 2011/12:

	Balance at 1 April 2010 £'000	Transfers From 2010/11 £'000	Transfers To 2010/11 £'000	Balance at 31 March 2011 £'000	Transfers From 2011/12 £'000	Transfers To 2011/12 £'000	Balance at 31 March 2012 £'000
EARMARKED GENERAL FUND RESERVES							
Local Management of Schools (LMS) Reserve	(2,567)	0	(1,312)	(3,879)	0	(2,501)	(6,380)
Capital Reserves	(2,789)	2,556	(2,444)	(2,677)	2,745	(1,634)	(1,566)
DSG Capital Reserve	0	0	0	0	0	(1,500)	(1,500)
Departmental Carry Forwards	(228)	228	(1,588)	(1,588)	1,588	(4,224)	(4,224)
Insurance Reserves	(7,086)	990	(30)	(6,126)	73	(494)	(6,547)
Restructure Redundancy Reserve	(1,624)	4,105	(6,085)	(3,604)	410	(700)	(3,894)
PFI Reserves	(23,240)	3,649	(3,621)	(23,212)	15,502	(2,453)	(10,163)
Brighton Centre Redevelopment Reserve	(3,646)	457	(763)	(3,952)	861	(570)	(3,661)
Single Status Reserve	(13,296)	7,672	(124)	(5,748)	3,277	(2,425)	(4,896)
Building Schools for the Future Reserve	(2,039)	306	(513)	(2,246)	646	0	(1,600)
Revenue Grants Carry Forward	(1,458)	1,175	(2,881)	(3,164)	1,886	(887)	(2,165)
Other Earmarked Reserves	(11,013)	7,805	(8,514)	(11,722)	6,548	(4,972)	(10,146)
Total	(68,986)	28,943	(27,875)	(67,918)	33,536	(22,360)	(56,742)
EARMARKED HRA RESERVES							
Total Earmarked HRA Reserves	(3,520)	1,922	(900)	(2,498)	1,677	(119)	(940)
Total	(3,520)	1,922	(900)	(2,498)	1,677	(119)	(940)
Total Earmarked Reserves	(72,506)	30,865	(28,775)	(70,416)	35,213	(22,479)	(57,682)

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	2010/11		2011/12	
	Balance £'000	Unspent Balance £'000	Overspent Balance £'000	Balance £'000
Nursery Schools	(68)	(56)	0	(56)
Primary Schools	(2,644)	(3,771)	107	(3,664)
Secondary Schools	(1,088)	(2,351)	178	(2,173)
Special Schools	(79)	(521)	34	(487)
Total	(3,879)	(6,699)	319	(6,380)

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 operational hazards / risks identified.

The Restructure Redundancy reserve funds approved redundancy payments and associated severance and pension payments, which departments normally repay to the reserve over five years. The reserve also receives contributions from departments 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 authority also holds a Waste PFI Prepayment reserve which represents a notional amount included in the unitary charge that the authority has modelled as contributing towards the development of future assets. The amount held in the reserve as at 31 March 2012 represents the modelled prepayment amounts for the Pebsham household waste recycling site which is due to become fully operational during 2012/13. This reserve will be used to reduce the authority's liability for the facility once it is operational.

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 Building Schools for the Future reserve holds resources committed to support the 2012/13 capital programme including providing new pupil places to meet projected demand across the city.

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.

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		
	2010/11 £'000	2011/12 £'000
(Gains) / losses on the disposal of non current assets	594	16,397
Precepts and Levies	234	199
Payments to the Government Housing Capital Receipts Pool	1,207	1,148
Total Other Operating Expenditure	2,035	17,744

The loss on the disposal of non current assets of £16.397m in 2011/12 includes £11.6m for demolished assets of which £7.7 m was due to the demolition of the north block at Falmer school which occurred as part of the new academy being built. The loss also includes £3.4m 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		
	2010/11 £'000	2011/12 £'000
Interest payable and similar charges	13,826	16,023
Pensions interest cost and expected return on pensions assets	7,592	(2,267)
Interest receivable and similar income	(4,527)	(1,386)
Income and expenditure in relation to investment properties	(3,627)	(3,435)
Changes in the fair value of investment properties	5,571	2,086
Total Financing and Investment Income and Expenditure	18,835	11,021

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		
	2010/11 £'000	2011/12 £'000
Council tax income	(118,847)	(119,304)
Non domestic rates	(95,340)	(85,871)
Non ring fenced government grants	(36,498)	(56,394)
Capital grants and contributions	(44,761)	(33,639)
Total Taxation and Non Specific Grant Income	(295,446)	(295,208)

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		
	2010/11	2011/12
	£'000	£'000
Non Ring Fenced Government Grants credited to Taxation and Non Specific Grant Income		
Department for Education	0	(11,115)
Communities and Local Government	(36,498)	(35,156)
Department for Work and Pensions	0	(3,279)
Department of Health	0	(6,564)
Home Office	0	(280)
Total	(36,498)	(56,394)
Ring Fenced Government Grants credited to Cost of Services		
Department for Education	(180,825)	(156,473)
Communities and Local Government	(7,404)	(2,586)
Department for Work and Pensions	(185,762)	(186,712)
Department for Transport	(2,613)	(865)
Department of Health	(1,970)	(257)
Home Office	(942)	(376)
Department for Business, Innovation and Skills	(1,077)	(839)
Other Government Departments	(1,804)	(1,203)
Total	(382,397)	(349,311)
Total Government Revenue Grants	(418,895)	(405,705)

Non Ring Fenced Grants

The significant non ring fenced grants received by the authority from Communities and Local Government are Revenue Support Grant (RSG) (£26.543m), the Council Tax Freeze Grant (£2.995m), PFI Grant (£3.003m) and Local Services Support Grant (£1.936m).

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 2011/12.

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 councils 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 (£10.729m) and that received from the Department of Health was the Learning Disability & Health Reform Grant (£6.564m).

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 (£148.355m), Pupil Premium Grant (£2.348m) and funding for sixth forms (£5.511m). 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 (£185.607m).

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		
	2010/11	2011/12
	£'000	£'000
Non Government Grants and Revenue Contributions credited to Cost of Services		
Non Government Grants	(753)	(765)
Contributions from Health Authorities	(13,325)	(12,225)
Contributions from Other Agencies / External Bodies	(2,628)	(1,991)
Contributions from Other Local Authorities	(1,753)	(1,509)
Other Contributions, Donations and Sponsorship	(2,742)	(3,001)
Contributions from Stakeholders	(952)	(1,324)
Contributions from Developers	(174)	(471)
Total Non Government Revenue Grants and Contributions	(22,327)	(21,286)

Revenue Grants and Contributions with Conditions Attached

The authority has received a number of revenue grants and contributions with conditions attached. 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		
	2010/11	2011/12
	£'000	£'000
Capital Grants and Contributions credited to Taxation and Non Specific Grant Income		
Department for Education	(35,163)	(24,597)
Communities and Local Government	(1,532)	(356)
Department for Transport	(691)	(6,897)
Department of Health	(3,829)	(486)
Other Government Grants	(463)	0
South East England Development Agency	(3,001)	(211)
Contributions from Developers - section 106	(82)	(1,081)
Other Contributions	0	(11)
Total	(44,761)	(33,639)
Capital Grants and Contributions credited to Cost of Services		
Department for Education	(1,161)	(65)
Communities and Local Government	(7,957)	(3,341)
Department of Health	(72)	(284)
South East England Development Agency	(333)	0
Department for Transport	0	(115)
Other Contributions	0	(47)
Total	(9,523)	(3,852)
Total Capital Grants and Contributions	(54,284)	(37,491)

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		
	2010/11	2011/12
	£'000	£'000
Grants and Contributions Held under Capital Grants Receipts in Advance		
Department for Education	(15,373)	(4,510)
Communities and Local Government	(4,362)	(1,779)
Contributions from Developers - section 106	(2,247)	(1,589)
Other Government Grant	(144)	17
South East England Development Agency	829	824
Department for Transport	334	734
Department of Health	(373)	0
Other Contributions	0	0
Total Grants and Contributions with Conditions	(21,336)	(6,303)

The authority has a number of grants dealt with on a claim basis where monies are spent in advance of the grant being received; these amounts are included in the above table and netted off against capital grants received in advance.

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 properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

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

Dedicated Schools Grant				
	2010/11 Total	2011/12 Central Expenditure	2011/12 Individual Schools Budget (ISB)	2011/12 Total
	£'000	£'000	£'000	£'000
Final DSG	(131,594)	(15,255)	(133,100)	(148,355)
Brought Forward	(2,142)	(1,649)	0	(1,649)
Agreed budgeted distribution	(133,736)	(16,904)	(133,100)	(150,004)
Budget adjustments (see note below)	0	6	(6)	0
Other budget adjustments (see note below)	0	1,600	0	1,600
Revised budget distribution	(133,736)	(15,298)	(133,106)	(148,404)
Actual central expenditure	20,355	14,696	0	14,696
Actual ISB deployed to schools	113,360	0	133,106	133,106
Local Authority Contribution	(1,628)	(566)	0	(566)
Underspend Carried Forward	(1,649)	(1,168)	0	(1,168)

The budget adjustments of £0.006m 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. The other budget adjustments relate to £1.5m that was set aside as a Capital Reserve to support Primary pupil places and £0.1m was also set aside as a reserve to fund school Automatic Meter Readers for gas, electricity and water.

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 (aggregated with accumulated impairment losses) at the beginning and end of the reporting period for each sub category of property, plant and equipment:

2011/12	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
Balance at 1 April 2011								
Gross carrying amount	589,745	1,090,275	34,785	146,239	7,824	17,007	27,826	1,913,701
Accumulated depreciation	(8,174)	(49,093)	(21,514)	(46,216)	0	0	(549)	(125,546)
Net Carrying Amount at 1 April 2011	581,571	1,041,182	13,271	100,023	7,824	17,007	27,277	1,788,155
Capital Additions								
Additions	23,138	77,672	5,273	4,927	26	1,237	0	112,273
Asset Disposals								
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
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement								
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)
Depreciation and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement								
Depreciation charge	(8,202)	(22,012)	(2,469)	(7,166)	0	0	0	(39,849)
Reversal of previous year's depreciation	8,023	6	0	0	0	0	0	8,029
Revaluation (losses) / reversals	(2,430)	(4,222)	0	0	0	0	0	(6,652)
Impairment (losses) / reversals	(423)	(6,285)	0	0	(26)	0	0	(6,734)
Other Transactions								
Assets reclassified (to) / from assets held for sale	0	(331)	0	0	0	0	0	(331)
Other movements in gross carrying amount	0	29,052	20	56	0	(14,853)	(16,922)	(2,647)
Other movements in depreciation	0	(148)	(6)	0	0	0	154	0
Net Carrying Amount at 31 March 2012	591,077	1,143,799	15,991	97,840	7,824	3,391	10,509	1,870,431
Comprising								
Gross carrying amount	599,279	1,199,121	39,794	151,224	7,824	3,391	10,904	2,011,537
Accumulated depreciation	(8,202)	(55,322)	(23,803)	(53,384)	0	0	(395)	(141,106)
Net Carrying Amount at 31 March 2012	591,077	1,143,799	15,991	97,840	7,824	3,391	10,509	1,870,431

2010/11 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
Balance at 1 April 2010								
Gross carrying amount	797,419	1,002,573	30,953	138,748	4,275	892	23,604	1,998,464
Accumulated depreciation	(12,815)	(46,250)	(18,403)	(39,432)	0	0	(1,481)	(118,381)
Net Carrying Amount at 1 April 2010	784,604	956,323	12,550	99,316	4,275	892	22,123	1,880,083
Capital Additions								
Additions	17,170	27,187	3,840	8,044	62	15,018	8	71,329
Asset Disposals								
Derecognition - disposals	(948)	(1,889)	0	0	0	0	0	(2,837)
Derecognition - disposals (depreciation)	0	53	0	0	0	0	0	53
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement								
Revaluation increases	0	93,213	0	0	0	0	5,674	98,887
Revaluation of disposed assets	16	0	0	0	0	0	0	16
Depreciation written out	0	91	0	0	0	0	0	91
Impairment (losses) / reversals	0	(999)	0	0	0	0	0	(999)
Depreciation and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement								
Depreciation charge	(8,174)	(20,635)	(3,117)	(6,825)	0	0	(528)	(39,279)
Reversal of previous year's depreciation	12,799	0	0	0	0	0	0	12,799
Impairment (losses) / reversals	(222,077)	(9,018)	(16)	(670)	0	(555)	0	(232,336)
Other Transactions								
Assets reclassified (to) / from assets held for sale	0	0	0	0	0	0	0	0
Other movements in gross carrying amount	(1,819)	(3,409)	11	158	3,487	1,652	0	80
Other movements in depreciation	0	265	3	0	0	0	0	268
Net Carrying Amount at 31 March 2011	581,571	1,041,182	13,271	100,023	7,824	17,007	27,277	1,788,155
Comprising								
Gross carrying amount	589,745	1,090,275	34,785	146,239	7,824	17,007	27,826	1,913,701
Accumulated depreciation	(8,174)	(49,093)	(21,514)	(46,216)	0	0	(549)	(125,546)
Net Carrying Amount at 31 March 2011	581,571	1,041,182	13,271	100,023	7,824	17,007	27,277	1,788,155

Please note that the comparative figures for other land and buildings, vehicles, plant, furniture and equipment and community assets in the table above have been restated to reflect the new accounting policy for heritage assets. The "significant changes in accounting policies" section of the Explanatory Foreword 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 estates manager at 1 April 1996 and amended by subsequent revaluations. 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) except that:

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

Additional expenditure on land and buildings since 1 April 1996 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 are held at historic cost and no revaluation of this category of asset takes place.

In certain cases, the authority capitalises particular items of expenditure that is below its de minimis 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 was carried out by Wilks, Head & Eve. The authority's housing stock and garages and car parking spaces were revalued at 1 April 2011.

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

Programme for the Revaluation of Property, Plant and Equipment								
	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Valued at historical cost	0	0	15,991	97,840	7,824	3,391	0	125,046
Valued at fair value as at :								
31 March 2012	567,939	250,545	0	0	0	0	0	818,484
31 March 2011	0	307,686	0	0	0	0	3,000	310,686
31 March 2010	0	167,852	0	0	0	0	7,509	175,361
31 March 2009	0	302,043	0	0	0	0	0	302,043
31 March 2008	0	15,663	0	0	0	0	0	15,663
Capital Expenditure	23,138	100,010	0	0	0	0	0	123,148
Total	591,077	1,143,799	15,991	97,840	7,824	3,391	10,509	1,870,431

The capital expenditure in the above table relates to capital expenditure on assets which has 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

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.

The authority has recognised significant impairment losses of £6.318m in respect of the authority's schools which are classified under property, plant and equipment. £3.474m was charged to the revaluation reserve and £2.844 was charged to the Comprehensive Income and Expenditure Statement.

These impairment 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).

Contractual Commitments

At 31 March 2012, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment budgeted to cost £98.166m. Similar commitments at 31 March 2011 were £104.701m. The following table shows the amount of 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	2012/13 £'000	2013/14 £'000	2014/15 £'000
Council Dwellings				
Housing Stock Programme	New build / enhancement of council dwellings	33,625	27,554	19,868
Other Land and Buildings				
Primary Capital Programme	Supports the needs of primary schools	1,000	0	0
Support for Major Projects	Investment to deliver major projects through legal, financial, design, architectural, transport and engineering specialist support	609	0	0
Brighton & Hove Seaside Community Homes Post Lease Refurbishment	Enhancement of transferred properties	3,889	970	1,688
Private Sector Renewals	Enhancements to buildings within the private sector	1,500	0	0
Disabled Facilities Grant	Enhancements to buildings for disabled facilities	700	700	700
The Level - Heritage Lottery Scheme	Enhancement and restoration of the Level	1,142	1,140	243
Workstyles Phase Two	Improvements to operational buildings	5,754	917	33
Historical Records Centre (The Keep)	Development of a new historical resource centre for East Sussex CC and Brighton & Hove CC	2,550	390	190
Planned Maintenance to Operational Buildings	Improvements to civic offices, historic, operational and commercial buildings	1,000	1,000	1,000
Social Services Buildings	Enhancement of buildings within Social Services	636	600	600
Devolved Capital Maintenance 2012-13	Formula funding to support the needs of the schools and children's centres that the authority maintains (devolved to schools)	950	0	0
Devolved Formula Capital	Supports the capital needs of school buildings	525	500	500
Structural Maintenance	Enhancements to structures in schools and educational establishments	920	920	920
Portslade Aldridge Community Academy	The creation of an academy in Portslade	12,514	0	0
New Pupil Places	Investment in schools to meet the growth in new pupil places	5,690	2,900	2,610
Capital Maintenance	Formula funding to support the needs of the schools and children's centres that the authority maintains (held centrally)	3,231	2,908	2,617
Vehicles, Plant, Furniture and Equipment				
Woodvale Cremators for Mercury Abatement	New cremators	1,200	0	0
Replacement of Vehicles	Purchase of waste, parks and education vehicles	2,202	1,121	1,000
Infrastructure Assets				
Local Transport Plan	Strategic planning and delivery of transport	6,576	6,349	7,479
Ex Leased Car Parks	Enhancement of the former NCP car parks	4,251	0	0
Local Sustainable Transport Fund	Integration of various transport schemes throughout the City	830	760	0

17 Heritage Assets

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. In 2011/12, the Code introduced a change to the treatment in accounting for heritage assets held by the authority. Prior period adjustments have been made to the accounts to reflect this change in accounting policy. Details of the adjustments made can be found in the explanatory foreword in the section on “Significant Changes in Accounting Policies”.

Properties held by the authority which are classified as heritage assets in 2011/12 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:

2011/12	Royal Pavilion £'000	Volks Railway £'000	West Blatchington Windmill £'000	Rottingdean Windmill £'000	Collections £'000	Rare Books £'000	Total £'000
Carrying amount as at 1 April 2011	143,124	1,770	803	424	31,280	500	177,901
Additions	0	6	0	0	219	0	225
Transactions in respect of the Surplus on Revaluation of Non Current Assets							
Revaluation increases	4,289	0	24	13	281	0	4,607
Revaluation decreases	0	(78)	0	0	(354)	0	(432)
Carrying Amount at 31 March 2012	147,413	1,698	827	437	31,426	500	182,301

2010/11 Comparative Figures	Royal Pavilion £'000	Volks Railway £'000	West Blatchington Windmill £'000	Rottingdean Windmill £'000	Collections £'000	Rare Books £'000	Total £'000
Carrying amount as at 1 April 2010	142,965	1,749	803	424	31,280	500	177,721
Additions	159	21	0	0	0	0	180
Transactions in respect of the Surplus on Revaluation of Non Current Assets							
Revaluation increases	0	0	0	0	0	0	0
Revaluation decreases	0	0	0	0	0	0	0
Carrying Amount at 31 March 2011	143,124	1,770	803	424	31,280	500	177,901

The Royal Pavilion

The Royal Pavilion was built for the Prince Regent, later King George IV in stages between 1787 and 1823. In the mid 1780s, the Prince of Wales (who became the Prince Regent) rented a small farmhouse overlooking the Brighton promenade. In 1787, he hired architect Henry Holland to transform his farmhouse into a modest villa which became known as the Marine Pavilion. In 1808 the new stable complex was completed (now known as the Dome Complex). In 1815, the Prince Regent commissioned John Nash to begin the transformation from a modest villa into a magnificent oriental palace.

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. This was a condition of English Heritage, one of the major funders of the major structural restoration works in 1980-1990. Since this time, 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. The next inspection will be carried out in 2013. 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, 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 25th and 26th December all day.

The Volks Railway

The Volks Railway was designed and built by Magnus Volk who was a 19th century inventor and engineer. On 14th June 1883, Magnus Volk wrote to Brighton's town clerk to seek permission to lay an electric railway near Maderia Road (now Drive). He was granted permission and on 4 August 1883, his electric railway was formally opened on Brighton seafront by Mayor Cox; the line was quarter of a mile long. In 1884, the line was extended to Banjo Groyne and grew in length to 1400 yards and the railway's power supply changed. The railway's power supply was located in Paston Place Arch, the site of today's office and workshop for the electric railway. At the front of the upstairs office a viewing balcony was installed.

The line was closed during the Second World War; during this time the line was wrecked by neglect and corrosion. In 1947, the Brighton Corporation, which became the council, took over the railway and restored it with the line reopening in 1948. The railway has remained under the council's control since this time.

The railway is looked after by three permanent council 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 8.30 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 on a tall flint and brick tower to which abutted barns on the north, south and west side. 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.

Built to serve the local farm, both flour and animal foods were produced. Milling ceased in 1897 and in 1936 the long south barn was destroyed by fire. Following road construction in the late 1930s, the Mill now 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 as the carved initials TB, 1802, standing for Thomas Beard, the owner, are to be seen on one of the original internal timbers. Further evidence of the date comes from the Sussex Weekly Advertiser of the 7th June 1802, which states that a human skeleton was discovered by workmen digging for the foundations of the windmill. The Mill ground the corn of the village and supplied flour to the local bakers until it ceased to function in 1881. After this time it became progressively dilapidated and the village was in danger of losing their mill.

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 a group of important village people as 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.

In 1929 the Mill was re-tarred and repairs carried out. In 1935, Mr. Yapp, for whom repairing windmills was a hobby, made the Mill waterproof and safe for a considerable period. It was strengthened sufficiently to take a new set of sweeps, which he fitted. 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.

During the 1960s surveys were carried out and repairs undertaken. In 1969, structural engineers reported that the Mill had a "limited life and could collapse tomorrow or last another 15 years". They proposed a steel framework to be put inside the Mill to stop it twisting and eventually collapsing. This work was undertaken but as a result the Mill can never be restored to full working order. In the 1970's repairs and renovation continued on a regular basis with the extension of the steel frame and the rebuilding of two of the sweeps.

In the 1980's it was revealed that the weight at the top of the Mill was becoming too much for the deteriorating timbers on the south west side. Virtually the whole of the Mill was supported by the internal steelwork from that time on. Further repairs on the Mill comprised of new cant posts, three new internal frames and new feather boarding on the sides and cap.

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. This 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. 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 the Americas. 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. 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. 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. 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. 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. 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. 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 will be retendered in April 2013.

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 will be retendered in April 2013.

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		
	2010/11 £'000	2011/12 £'000
Cost of Acquisitions		
Royal Pavilion	159	0
Collections	0	219
Volks Railway	21	6
Total Cost of Acquisitions	180	225
Total Value of Assets Acquired by Donation	0	0
Total Carrying Amount of Assets Disposed	0	0
Proceeds Received for Assets Disposed	0	0
Total Impairments Recognised	0	0

In 2010/11, there was £0.159m of capital works carried out on the preservation of the Royal Pavilion. In addition, there was also £0.021m of capital expenditure on the Volks Railway in respect of the preservation of the railway arch.

In 2011/12, the authority purchased the JMW Turner Watercolour of Brighton at a cost of £0.219m. This purchase was funded by a lottery grant received from the National Heritage Memorial Fund (£0.211m) and a contribution from earmarked reserves (£0.008m). The painting has been unseen by the public for 100 years and will be part of the museum and Royal Pavilion collections. The authority also purchased a number of other items for their collection and also received a number of donated items in 2011/12; however, these have not been brought on to the Balance Sheet as they are below the authority's de minimis level.

In 2011/12, there was capital expenditure of £0.006m incurred on the Volks Railway for preservation works on the railway arch.

The authority held a rhino horn as part of its collection; unfortunately, during 2011/12, this collection item was stolen whilst on display. There is no legal market for this item; however, its value on the black market is in the region of £0.035m. The recoupment of the value of this collection item is still in progress. No disposal 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	
2011/12	Total £'000
Carrying Amount as at 1 April 2011	44,156
Additions resulting from subsequent expenditure	0
Disposals	0
Net gains / (losses) from fair value adjustments	(2,086)
Transfers (to) / from Property Plant and Equipment	2,604
Carrying Amount as at 31 March 2012	44,674

Investment Property Carrying Amounts	
2010/11 Comparative Figures	Total £'000
Carrying Amount as at 1 April 2010	50,073
Additions resulting from subsequent expenditure	0
Disposals	0
Net gains / (losses) from fair value adjustments	(5,571)
Transfers (to) / from Property Plant and Equipment	(346)
Carrying Amount as at 31 March 2011	44,156

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 as at :	
31 March 2012	44,505
31 March 2011	111
31 March 2010	0
31 March 2009	58
31 March 2008	0
Capital Expenditure	0
Total Carrying Amount as at 31 March 2012	44,674

The capital expenditure in the above table relates to capital expenditure on assets which has 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.

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		
	2010/11	2011/12
	£'000	£'000
Rental income from Investment Property	(3,637)	(3,474)
Direct operating expenses (including Repairs and Maintenance) arising from Investment Property	10	39
Total	(3,627)	(3,435)

Impairment

The authority has recognised a significant impairment loss of £1.421m in respect of investment property assets owned by the authority held for retail purposes. This impairment loss occurred as a result of the revaluation of the asset in accordance with 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). Impairment losses in respect of investment property are charged to the Comprehensive Income and Expenditure Statement.

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.

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	Non Current		Current	
	2010/11	2011/12	2010/11	2011/12
	£'000	£'000	£'000	£'000
Carrying Amount as at 1 April	1,398	1,398	2,176	1,900
Assets newly classified as held for sale:				
Property, Plant and Equipment	0	0	0	331
Revaluation losses	0	0	0	(150)
Assets sold	0	0	(276)	(1,641)
Transfers from non current to current	0	(1,398)	0	1,398
Carrying Amount as at 31 March	1,398	0	1,900	1,838

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. The authority measures assets classified as held for sale at the lower of their carrying amount and fair value less costs to sell.

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	2010/11	2011/12
	Total £'000	Total £'000
Balance at 1 April		
• Gross carrying amount	6,856	7,872
• Accumulated amortisation	(3,418)	(4,667)
Net carrying amount at 1 April	3,438	3,205
Additions	1,016	533
Amortisation for the period	(1,249)	(970)
Net Carrying Amount at 31 March	3,205	2,768
Comprising:		
Gross carrying amounts	7,872	8,405
Accumulated amortisation	(4,667)	(5,637)
Net Carrying Amount at 31 March	3,205	2,768

Measurement Bases

The authority measures intangible assets at cost; it does not account for intangible assets at revalued amounts.

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 £0.970m was charged to the appropriate cost of service in the Comprehensive Income and Expenditure Statement in 2011/12.

Contractual Commitments

The following table shows the amount of 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	2012/13 £'000	2013/14 £'000	2014/15 £'000
ICT Fund	Investment in the strategic planning of ICT	500	500	500

Intangible Assets acquired by way of a Government Grant

In 2011/12, the authority has received grant funding of £0.127m to fund the acquisition of intangible assets in respect of ICT infrastructure and transport systems. The acquired asset's carrying value is measured at cost.

21 Capital Expenditure and Capital Financing

The authority incurred £119.584m of capital expenditure in 2011/12. 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:

Capital Expenditure and Capital Financing		
	2010/11	2011/12
	£'000	£'000
Opening Capital Financing Requirement	289,314	294,502
Capital Investment		
- Property, Plant and Equipment	71,329	112,273
- Heritage Assets	180	225
- Intangible Assets	1,016	533
- Revenue Expenditure Funded from Capital under Statute	12,323	6,553
	84,848	119,584
HRA Self Financing Settlement	0	18,081
Sources of Finance		
- Capital receipts	0	(5,498)
- Government grants	(54,214)	(35,065)
- Other contributions	(289)	(1,030)
- Major Repairs Allowance (HRA)	(9,506)	(9,587)
- Reserves	(1,622)	(4,955)
- HRA balance	(300)	0
- Revenue contributions	(3,950)	(5,146)
- Revenue provision for repayment of loans	(9,779)	(26,437)
	(79,660)	(87,718)
Closing Capital Financing Requirement	294,502	344,449
Explanation of Movements in Capital Financing Requirement		
Increase in underlying need to borrow (supported by government financial assistance)	7,375	0
Increase in underlying need to borrow (unsupported by government financial assistance)	7,592	9,822
Assets acquired under PFI contracts	0	48,475
HRA Debt Settlement re Self Financing of HRA	0	18,081
Repayment of loans	(9,779)	(26,437)
Increase / (Decrease) in Capital Financing Requirement	5,188	49,941
The Capital Financing Requirements reflects the following Balance Sheet Items:		
Non Current Assets *	2,016,715	2,102,012
Mortgages & Deferred Debtors (included in Long Term Debtors)	480	514
Deferred Credits	(50)	(44)
Capital Adjustment Account	(1,252,602)	(1,250,995)
Revaluation Reserve	(470,041)	(507,038)
Total	294,502	344,449

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

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 3 March 2011 and relates to the 2011/12 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 in equal annual instalments, 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:

	2010/11 £'000	2011/12 £'000
General Fund – ‘supported debt’ : i.e. 4% of notional debt relating to capital investment	6,708	6,784
General Fund – ‘unsupported debt’ : i.e. repayment over life of asset	2,240	2,629
Housing Revenue Account - ‘unsupported debt’ : i.e. repayment over life of asset	0	191
General Fund – charge equal to write down on PFI liabilities	831	16,833
Total Amount Set Aside from Revenue	9,779	26,437

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 to the lessee. 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:

Carrying Amounts for Assets acquired under a Finance Lease		
	2010/11 £'000	2011/12 £'000
Property, Plant and Equipment:		
• Other Land and Buildings	17,515	17,906
• Vehicles, Plant and Equipment	84	0
Net Carrying Amount as at 31 March	17,599	17,906

Note: the comparative figures in the above table have been updated from that published in the 2010/11 accounts to reflect more up to date information that was not available at the time that the 2010/11 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 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 10 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 2010	31 March 2011	31 March 2012
	£'000	£'000	£'000
Not later than one year	8,868	8,348	9,611
Later than one year and not later than five years	19,273	12,943	13,795
Later than five years	2,166	3,837	3,878
Total Future Minimum Lease Payments	30,307	25,128	27,284

Note: the comparative figures in the above table have been updated from that published in the 2010/11 accounts to reflect more up to date information that was not available at the time that the 2010/11 accounts were prepared.

The expenditure charged to the relevant cost of services in the Comprehensive Income and Expenditure Statement in 2011/12 in relation to these lessee operating leases was £7.934m (£9.025m in 2010/11).

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 several new finance leases which have commenced in the reporting period. In respect of three of these leases, the authority received nil consideration and the rentals have been set at a peppercorn level. The other leases are 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:

Gross Investment in Finance Leases			
	1 April 2010	31 March 2011	31 March 2012
	£'000	£'000	£'000
Finance Lease Debtor (net present value of minimum lease payments):			
• Current	14	14	15
• Non current	6,085	6,071	6,057
Unearned finance income	31,767	31,318	30,870
Total Gross Investment in the Leases	37,866	37,403	36,942

Note: the comparative figures in the above table have been updated from that published in the 2010/11 accounts to reflect more up to date information that was not available at the time that the 2010/11 accounts were prepared.

Note: 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:

Gross Investment in Finance Leases and Minimum Lease Payments under Finance Leases						
	Gross Investment in the Lease			Present Value of Minimum Lease Payments		
	1 April 2010 £'000	31 March 2011 £'000	31 March 2012 £'000	1 April 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	463	462	462	14	14	15
Later than one year and not later than five years	2,298	2,286	2,274	71	65	58
Later than five years	35,105	34,655	34,206	6,014	6,006	5,999
Total	37,866	37,403	36,942	6,099	6,085	6,072

Note: the comparative figures in the above table have been updated from that published in the 2010/11 accounts to reflect more up to date information that was not available at the time that the 2010/11 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, presents assets subject to operating leases according to the nature of the asset. The assets form part of the overall disclosure of non current assets. 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 1 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 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	8,981	8,098	9,591
Later than one year and not later than five years	27,516	24,272	23,494
Later than five years	118,231	113,377	108,059
Total Future Minimum Lease Payments	154,728	145,747	141,144

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 the 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 following table shows the value of assets held under the PFI arrangements and an analysis of the movements in those asset values:

Assets held under PFI Arrangements				
2011/12	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Cost or Valuation				
At 1 April 2011	79,770	16,899	12,686	109,355
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
At 31 March 2012	80,019	65,374	12,686	158,079
Accumulated Depreciation and Impairment				
At 1 April 2011	(6,305)	(722)	(619)	(7,646)
Depreciation charge	(1,185)	(492)	(269)	(1,946)
Other movements	27	0	0	27
At 31 March 2012	(7,463)	(1,214)	(888)	(9,565)
Net Book Value at 31 March 2012	72,556	64,160	11,798	148,514
Net Book Value at 1 April 2011	73,465	16,177	12,067	101,709

Assets held under PFI Arrangements				
2010/11 Comparative Figures	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Cost or Valuation				
At 1 April 2010	79,293	16,564	12,686	108,543
Additions	477	335	0	812
Revaluation increases / decreases recognised in the Revaluation Reserve	0	0	0	0
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0
At 31 March 2011	79,770	16,899	12,686	109,355
Accumulated Depreciation and Impairment				
At 1 April 2010	(5,072)	(240)	(410)	(5,722)
Depreciation charge	(1,233)	(482)	(209)	(1,924)
Other movements	0	0	0	0
At 31 March 2011	(6,305)	(722)	(619)	(7,646)
Net Book Value at 31 March 2011	73,465	16,177	12,067	101,709
Net Book Value at 1 April 2010	74,221	16,324	12,276	102,821

The net book value of assets held under the PFI arrangements at 31 March 2012 totalled £148.514m (£101.709m at 31 March 2011) which includes other land and buildings of £146.464m (£99.300m 31 March 2011) and vehicles, plant and equipment of £2.050m (£2.409m 31 March 2011).

The opening net book value in respect of the Waste PFI contract has been amended to reflect £3.2m Newhaven Waste Site land value and £1.4m Hollingdean Waste Site values omitted from the PFI note in the past.

In addition the authority holds a prepayment reserve in earmarked reserves on the Balance Sheet in relation to the waste PFI contract. The prepayment reserve represents the amount included in the unitary charge that the authority has modelled as contributing towards the development of future assets. In 2011/12 the prepayment reserve contributed to bring the Energy Recovery Facility on to the Balance Sheet as it became operational during the year. The authority continues to hold a prepayment reserve to represent the modelled prepayment amounts for the Pebsham household waste recycling site which is due to become fully operational during 2012/13.

Payments Due under PFI

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 2012:

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

Payments Due under PFI Arrangements				
2010/11 Comparative Figures	Repayment of Liability £'000	Interest Costs £'000	Payment for Services £'000	Total £'000
Schools PFI Contract				
Within 1 year	333	1,390	1,202	2,925
Within 2 to 5 years	1,626	5,204	5,260	12,090
Within 6 to 10 years	3,164	5,395	7,510	16,069
Within 11 to 15 years	5,293	3,383	8,585	17,261
Within 16 to 20 years	3,064	495	3,714	7,273
Within 21 to 23 years	0	0	0	0
Total Payments Due - Schools PFI	13,480	15,867	26,271	55,618
Waste PFI Contract				
Within 1 year	1,042	2,318	7,528	10,888
Within 2 to 5 years	4,782	8,796	30,847	44,425
Within 6 to 10 years	5,661	9,432	45,597	60,690
Within 11 to 15 years	10,250	7,447	50,157	67,854
Within 16 to 20 years	13,906	4,276	57,490	75,672
Within 21 to 23 years	6,831	573	25,209	32,613
Total Payments Due - Waste PFI	42,472	32,842	216,828	292,142
Library PFI Contract				
Within 1 year	160	583	1,510	2,253
Within 2 to 5 years	787	2,184	6,478	9,449
Within 6 to 10 years	1,428	2,295	9,172	12,895
Within 11 to 15 years	2,149	1,583	10,543	14,275
Within 16 to 20 years	2,405	521	8,550	11,476
Within 21 to 23 years	0	0	0	0
Total Payments Due - Library PFI	6,929	7,166	36,253	50,348
Total PFI Contracts				
Within 1 year	1,535	4,291	10,240	16,066
Within 2 to 5 years	7,195	16,184	42,585	65,964
Within 6 to 10 years	10,253	17,122	62,279	89,654
Within 11 to 15 years	17,692	12,413	69,285	99,390
Within 16 to 20 years	19,375	5,292	69,754	94,421
Within 21 to 23 years	6,831	573	25,209	32,613
Total Payments Due	62,881	55,875	279,352	398,108

The repayment of the liability for the waste PFI contract includes a notional prepayment of £0.027m (£2.823m 2010/11) towards new waste facilities under the waste PFI contract. Additionally, 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				
2011/12	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
At 1 April 2011	13,480	8,986	6,929	29,395
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)
At 31 March 2012	13,147	41,124	6,766	61,037

Liabilities Resulting from PFI Arrangements				
2010/11 Comparative Figures	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
At 1 April 2010	13,793	9,358	7,076	30,227
New Operational Assets	0	0	0	0
Use of Prepayment Reserve	0	0	0	0
Lease Repayment	(313)	(372)	(147)	(832)
At 31 March 2011	13,480	8,986	6,929	29,395

The above table includes long term liabilities of £59.4m (£27.9m 2010/11) and short term liabilities of £1.6m (£1.5m 2010/11) at 31 March 2012; the long term liability being included in other long term liabilities in 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 2011 £'000	2011/12			Balance at 31 March 2012 £'000
		Additional Provisions Made £'000	Amounts Used £'000	Unused Amounts Reversed £'000	
Short Term Provisions					
Accumulated Absences	(5,020)	(4,082)	5,020	0	(4,082)
Other Provisions	0	(311)	0	0	(311)
Total	(5,020)	(4,393)	5,020	0	(4,393)
Long Term Provisions					
Single Status Liability Provision	(3,050)	(1,937)	2,737	0	(2,250)
Voluntary Severance Scheme Provision	(2,746)	(114)	2,552	0	(308)
Other Provisions	(1,424)	(900)	268	0	(2,056)
Total	(7,220)	(2,951)	5,557	0	(4,614)

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 made proactive offers to groups of staff in relation to potential equal pay back pay liabilities and has implemented the outcome of a pay and grading review. The provision relates to potential outstanding liabilities that the authority is very likely to incur in relation to these matters. To help establish the potential liability, a legal review was conducted of all outstanding employment tribunal and internal grievance claims. The provision has been increased to cover anticipated payments to officers who have left the authority and had lodged a valid employment tribunal claim. This provision is separate to the Single Status earmarked reserve which is to meet potential pay related liabilities that cannot be estimated with any certainty. Details of the Single Status earmarked reserve are included in note 10.

Voluntary Severance Scheme Provision

The authority established a voluntary severance scheme during 2010/11 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 2011/12 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 2010	Balance as at 31 March 2011	Balance as at 31 March 2012
	£'000	£'000	£'000
Unusable Reserves Held for Revenue Purposes			
Collection Fund Adjustment Account	(2,602)	183	713
Financial Instruments Adjustment Account	1,761	1,380	1,045
Available-for-Sale Financial Instruments Reserve	(9)	(22)	(15)
Pensions Reserve	353,698	106,557	155,647
Accumulated Absences Account	4,780	5,020	4,082
Total Unusable Reserves Held for Revenue Purposes	357,628	113,118	161,472
Unusable Reserves Held for Capital Purposes			
Revaluation Reserve	(379,016)	(470,041)	(507,038)
Capital Adjustment Account	(1,446,976)	(1,252,602)	(1,250,995)
Deferred Capital Receipts Reserve	(6,254)	(6,104)	(6,115)
Total Unusable Reserves Held for Capital Purposes	(1,832,246)	(1,728,747)	(1,764,148)
Total Unusable Reserves	(1,474,618)	(1,615,629)	(1,602,676)

Please note that the comparative figures for the revaluation reserve and capital adjustment account in this disclosure have been restated to reflect the new accounting policy for heritage assets. The "significant changes in accounting policies" section of the Explanatory Foreword 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:

Revaluation Reserve			
	2010/11	2011/12	
	£'000	£'000	£'000
Balance as at 1 April	(379,016)		(470,041)
Upward revaluation of assets	(99,236)	(54,159)	
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	1,241	8,256	
Surplus / Deficit on revaluation of non current assets not posted to the Surplus / Deficit on the Provision of Services	(97,995)		(45,903)
Difference between fair value depreciation and historical cost	6,077	6,615	
Accumulated gains on assets sold or scrapped	893	2,150	
Other amounts written off to Capital Adjustment Account	0	141	
Amount written off to the Capital Adjustment Account	6,970		8,906
Balance as at 31 March	(470,041)		(507,038)

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:

Capital Adjustment Account

	2010/11	2011/12	
	£'000	£'000	£'000
Balance as at 1 April	(1,446,976)		(1,252,602)
Reversal of items relating to capital expenditure debited / credited to the Comprehensive Income and Expenditure Statement			
Charges for depreciation and impairment of non current assets	258,816	39,492	
Revaluation losses on Property, Plant and Equipment	0	6,753	
Upward revaluation reversing a previous revaluation loss on housing stock	0	(929)	
Amortisation of intangible assets	1,249	970	
Revenue expenditure funded from capital under statute	12,323	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	3,060	25,231	
	275,448		78,070
Adjusting amounts written out to the Revaluation Reserve	(6,970)		(8,906)
Net written out amount of the cost of non current assets consumed in the year	268,478		69,164
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(5,504)	
Use of Earmarked Reserves to finance new capital expenditure	(1,622)	(4,955)	
Use of HRA balance for capital financing	(300)	0	
Use of the Major Repairs Reserve to finance new capital expenditure	(9,506)	(9,587)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(53,602)	(35,937)	
Application of grants to capital financing from the Capital Grants Unapplied Account	(911)	(158)	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,708)	(23,617)	
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(3,071)	(2,820)	
Capital expenditure charged against the General Fund and HRA balances	(3,950)	(5,146)	
HRA Debt Settlement to the Secretary of State in preparation for the commencement of self financing of the HRA	0	18,081	
Other adjustments	(5)	0	
	(79,675)		(69,643)
Movements in the market value of investment properties debited / credited to the Comprehensive Income and Expenditure Statement	5,571		2,086
Balance as at 31 March	(1,252,602)		(1,250,995)

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		
	2010/11 £'000	2011/12 £'000
Balance as at 1 April	(6,254)	(6,104)
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	16	(18)
Write down of finance lease liability	(6)	0
Transfer to the Capital Receipts Reserve upon receipt of cash (Housing Association Loan)	140	7
Balance as at 31 March	(6,104)	(6,115)

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 the statutory provisions, the amount that can be credited or debited against the General Fund balance for surpluses/deficits is limited to the 15 January estimate of the share of the Collection Fund balance for the previous year.

The 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		
	2010/11 £'000	2011/12 £'000
Balance as at 1 April	(2,602)	183
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	2,785	530
Balance as at 31 March	183	713

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		
	2010/11 £'000	2011/12 £'000
Balance as at 1 April	(9)	(22)
Downward revaluations of investments not charged to the Surplus /Deficit on the Provision of Services	7	20
Upward revaluation of investments	(20)	(13)
Balance as at 31 March	(22)	(15)

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 2012 will be charged to the General Fund over the next 43 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			
	2010/11	2011/12	
	£'000	£'000	£'000
Balance as at 1 April	1,761		1,380
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(381)	(335)	
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	(381)		(335)
Balance as at 31 March	1,380		1,045

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		
	2010/11	2011/12
	£'000	£'000
Balance as at 1 April	353,698	106,557
Actuarial gains / losses on pension assets and liabilities	(174,248)	52,058
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	(51,107)	19,200
Employer's pensions contributions and direct payments to pensioners payable in the year	(21,786)	(22,168)
Balance as at 31 March	106,557	155,647

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			
	2010/11	2011/12	
	£'000	£'000	£'000
Balance as at 1 April	4,780		5,020
Settlement or cancellation of accrual made at the end of the preceding year	(4,780)	(5,020)	
Amounts accrued at the end of the current year	5,020	4,082	
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	240		(938)
Balance as at 31 March	5,020		4,082

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. A further potential liability has arisen in relation to individuals with irregular or non-contractual working patterns. As at the Balance Sheet date, it is not possible to estimate any potential liability with accuracy until detailed analysis of each individual's employment history and working patterns has been undertaken.

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. The authority is not able to determine the probability of the indemnity being called upon in the long-term as the level of future rental income is dependent upon factors outside the authority's control. However, on the basis of current rent levels the authority has considered the probability of the indemnity being called upon within the next twelve months as being very low.

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 the majority of its 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 2011/12 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.

Levying Authorities

Other public bodies may levy the authority (i.e. make a demand on the council tax requirement). For 2011/12 levies totalled £198,985 (£206,554 2010/11). These costs are included in Other Operating Expenditure within the Comprehensive Income and Expenditure Statement together with a precept of £27,000 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 2011/12 is shown in note 29. During 2011/12, works and services to the value of £8.319m (£8.838m 2010/11) 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 2011/12, the authority provided Chief Finance Officer (S151) and other financial services to the South Downs National Park Authority (SDNPA) on a contractual basis. As there were no payments made by the authority to SDNPA in the reporting period, senior officers at the authority were not in a position to influence any financial transactions.

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 (150 properties transferred as at 31 March 2012). 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:

Member's Allowances and Expenses		
	2010/11 £'000	2011/12 £'000
Allowances	879	890
Expenses	1	3
Total Payments to Members	880	893

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 2011/12 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						
2010/11	2011/12					
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
£		£	£	£	£	£
219,900	Chief Executive - J Barradell	165,800	0	165,800	28,700	194,500
219,900	Total	165,800	0	165,800	28,700	194,500

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

Senior Employee Remuneration - salary between £50,000 and £149,999								
2010/11	2011/12							
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
£			£	£	£	£	£	£
80,100	Strategic Director - Resources	1 & 2	125,000	0	0	125,000	21,600	146,600
70,700	Strategic Director - Communities	1	125,000	0	0	125,000	0	125,000
74,100	Strategic Director - Place	1	125,000	4,500	0	129,500	21,600	151,100
66,800	Strategic Director - People	1	125,000	0	0	125,000	21,600	146,600
42,300	Director of Finance	2 & 8	79,500	0	0	79,500	13,700	93,200
42,800	Acting Director of Adult Social Care & Health	1	0	0	0	0	0	0
24,400	Acting Director of Environment	1	0	0	0	0	0	0
21,200	Acting Director of Strategy & Governance	1	0	0	0	0	0	0
33,600	Acting Director of Children's Services	1	0	0	0	0	0	0
14,400	Acting Director of Housing	1	0	0	0	0	0	0
12,400	Acting Director of Culture & Enterprise	1	0	0	0	0	0	0
46,500	Lead Commissioner for Adult Services, Social Care & Health Partnerships	4	89,800	0	0	89,800	15,500	105,300
38,300	Head of Planning & Public Protection	5	74,800	0	0	74,800	12,900	87,700
42,500	Head of City Services	5	80,000	0	0	80,000	13,800	93,800
35,800	Head of Tourism & Leisure	5	69,800	0	0	69,800	12,100	81,900
35,700	Head of Housing & Social Inclusion	5	69,800	0	0	69,800	12,100	81,900
42,500	Head of City Infrastructure	5	82,300	0	0	82,300	14,200	96,500
43,700	Head of Children & Families	5	84,800	0	0	84,800	14,700	99,500
12,500	Head of Adults Assessment	6	75,000	0	0	75,000	0	75,000
34,300	Head of Adults Provider	5	67,300	0	0	67,300	11,600	78,900
175,500	Director of Strategy & Governance	1	0	0	0	0	0	0
154,700	Director of Culture & Enterprise	1 & 3	0	0	0	0	0	0
219,100	Director of Environment	1	0	0	0	0	0	0
359,500	Director of Children's Services	1	0	0	0	0	0	0
74,900	Director of Finance & Resources	2	0	0	0	0	0	0
1,798,300	Total		1,273,100	4,500	0	1,277,600	185,400	1,463,000

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

1. The Strategic Directors were appointed during the period October to November 2010. For the two months leading up to the new organisational structure, interim arrangements were in place with six acting directors being appointed for this period.
2. Under the old organisational structure the responsibility for finance and resources was under one director post. Under the new structure the resources element of this role transferred to the Strategic Director - Resources post with the Director of Finance being a stand alone post with the statutory Section 151 duties, these revised duties commenced on 1 November 2010.
3. The Director of Adult Social Care & Housing left in February 2010, following their departure a restructure took place with the housing element of the role being assigned to the Director of Culture & Enterprise, their job title being renamed the Director of Housing, Culture & Enterprise. The Director of Adult Social Care post was filled on an interim basis by an acting up arrangement and has not been included in this disclosure.
4. The Lead Commissioner for Adult Services, Social Care and Health Partnerships post includes the statutory role of Director of Social Services.
5. The Heads of Service commenced their new duties on 1 November 2010.
6. The Head of Adults Assessment commenced their duties on 7 February 2011.
7. 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.
8. The Full Time Equivalent salary for the Director of Finance would have been £98,050 in 2011/12.

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	2010/11 Number of Staff	2011/12 Number of Staff
£50,000 - £54,999	95	101
£55,000 - £59,999	55	63
£60,000 - £64,999	36	34
£65,000 - £69,999	18	20
£70,000 - £74,999	12	7
£75,000 - £79,999	12	15
£80,000 - £84,999	6	8
£85,000 - £89,999	6	1
£90,000 - £94,999	1	2
£95,000 - £99,999	2	1
£100,000 - £104,999	1	3
£105,000 - £109,999	1	1
£110,000 - £114,999	1	0

31 Termination Benefits including Exit Packages

The authority terminated the contracts of a number of employees during 2011/12, incurring liabilities of £3.985m (£3.102m in 2010/11). This amount was paid to employees, employed across different services within the authority, who were made redundant as part of the authority's rationalisation of services. Within the sum of £3.985m, amounts of £2.300m were paid from the provision made in 2010/11 which was charged to the Comprehensive Income and Expenditure Statement in 2010/11.

The Comprehensive Income and Expenditure Statement includes £1.581m of severance costs. In addition, the authority made an additional provision of £0.114m charged to the Comprehensive Income and Expenditure in respect of severance costs which it had committed to pay as at 31 March 2012 with the actual payments being made in 2012/13.

As at 31 March 2012, the authority has made a total provision of £0.308m in respect of committed payments for voluntary redundancy packages for 20 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	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
							£'000	£'000
£0 - £20,000	0	0	111	109	111	109	788	779
£20,001 - £40,000	0	0	25	18	25	18	679	524
£40,001 - £60,000	0	0	4	3	4	3	180	144
£60,001 - £80,000	0	0	4	2	4	2	267	134
£80,001 - £100,000	0	0	3	0	3	0	255	0
£100,001 - £150,000	0	0	2	0	2	0	225	0
£150,001 - £200,000	0	0	4	0	4	0	703	0
	0	0	153	132	153	132	3,097	1,581
Provision included in the Comprehensive Income and Expenditure Statement							2,746	114
Total	0	0	153	132	153	132	5,843	1,695

Note:

1. The costs included in the above table include voluntary redundancies, early retirement pension costs and pay in lieu of notice.
2. As the provision in the Comprehensive Income and Expenditure Statement cannot be currently analysed over cost bands, this cost is shown as a single line.

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 and it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12, the authority paid £8.98m (£9.44m for 2010/11) to the Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (14.1% for 2010/11) 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 are no investment assets built up to meet these pension liabilities, and the authority has to generate cash to meet actual pension payments as they eventually fall due.

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		
	2010/11	2011/12
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
• current service cost	(23,702)	(19,897)
• past service cost	82,729	(201)
• settlements and curtailments	(328)	(1,369)
Financing and Investment Income and Expenditure		
• interest cost	(44,965)	(37,646)
• expected return on scheme assets	37,373	39,913
Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services	51,107	(19,200)
Movement in Reserves Statement		
• reversal of net charges made to the Surplus / Deficit for the Provision of Services for post employment benefits	(51,107)	19,200
Actual amount charged against the General Fund balance for pensions in the year		
• employers' contributions payable to the scheme	(21,786)	(22,168)
Net Adjustment to Pension Reserve	(72,893)	(2,968)

The current service cost has decreased, by £3.805m, reflecting an increase in the real discount rate from March 2010 to March 2011; this serves to make the cost of new benefits earned by employee members over 2011/12 less expensive than was the case in 2010/11. In addition, the service cost has also been affected by the actuary basing assumptions on the start of the period (i.e. 1 April 2011) rather than at the end of the period.

With effect from 2010/11, the past service costs have been based on the Consumer Prices Index (CPI); previous to this they were based on the Retail Price Index (RPI). This led to a one off significant decrease in 2010/11 in the past service cost to reflect this change which did not reoccur in 2011/12.

The actuarial loss in 2011/12 was £52.583m; this is different to the loss recorded in the financial statements of £52.058m due to estimated projections of contributions used by the pension actuary. The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £219.141m.

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		
	2010/11	2011/12
	£'000	£'000
Balance at 1 April	(877,608)	(682,765)
Current service cost	(23,702)	(19,897)
Interest cost	(44,965)	(37,646)
Contributions by scheme participants	(7,387)	(7,238)
Actuarial gains / (losses)	165,099	(31,142)
(Losses) / gains on curtailment	(328)	(1,369)
Unfunded benefits paid	2,389	2,495
Benefits paid	21,008	22,756
Past service cost	82,729	(201)
Balance at 31 March	(682,765)	(755,007)

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

Fair Value of the Pension Scheme Assets		
	2010/11	2011/12
	£'000	£'000
Balance at 1 April	523,910	576,208
Expected rate of return	37,373	39,913
Actuarial gains and (losses)	9,020	(21,441)
Employer contribution as per actuary report	19,526	20,200
Contribution in respect of unfunded benefits as per actuary report	2,389	2,495
Contributions by scheme participants	7,387	7,238
Unfunded benefits made	(2,389)	(2,495)
Benefits paid	(21,008)	(22,756)
Balance at 31 March	576,208	599,362

The expected return on scheme assets of £39.913m (£37.373m for 2010/11) 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 £18.604m (£36.432m for 2010/11).

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 2008 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Present value of liabilities	(524,448)	(518,013)	(877,608)	(682,765)	(755,007)
Fair value of assets	446,631	376,961	523,910	576,208	599,362
Deficit in the Scheme	(77,817)	(141,052)	(353,698)	(106,557)	(155,645)

Note: The level of the Pension Reserve as at 31 March 2012 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 £755.007m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £155.645m. 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 2012 is £719.825m for funded obligations which includes £331.174m, £135.446m and £253.205m in respect of employee members, deferred pensioners and pensioners respectively and £35.184m unfunded obligations which comprises £27.522m in respect of LGPS unfunded pensions and £7.662m 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 2013 will be in the region of £19.048m.

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 2011	31 March 2012
Long term expected rate of return on assets in the scheme		
Equity Investments	7.5%	6.3%
Bonds	4.9%	4.4%
Property	5.5%	4.4%
Cash	4.6%	3.5%
Mortality assumptions		
Longevity at 65 for current pensioners:		
• men	21.3 years	21.3 years
• women	23.4 years	23.3 years
Longevity at 65 for future pensioners:		
• men	23.3 years	23.4 years
• women	25.7 years	25.7 years
Financial assumptions		
Rate of inflation/pension increase rate	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%
Rate for discounting scheme liabilities	5.5%	4.8%
Expected total return on assets	6.9%	5.9%
Take up of option to convert annual pension in retirement grant	*	*

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

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 2011	31 March 2012
Equity Investments	78.0%	80.0%
Bonds	8.0%	9.0%
Property	8.0%	9.0%
Cash	6.0%	2.0%
Total	100%	100%

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										
	2007/08		2008/09		2009/10		2010/11		2011/12	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Experience gains and (losses) on assets	(57,015)	(12.8)	(109,733)	(29.1)	112,648	21.5	9,020	1.6	(21,441)	(3.6)
Experience gains and (losses) on liabilities	2,091	(0.4)	(1,822)	0.4	(9,809)	1.1	78,982	11.6	(10,533)	1.4

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 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:

Cash and Cash Equivalents			
	1 April 2010	31 March 2011	31 March 2012
	£'000	£'000	£'000
Bank current accounts	(2,739)	(4,731)	(6,884)
Short term deposits	16,315	24,024	23,122
Total Cash and Cash Equivalents	13,576	19,293	16,238

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:

Reconciliation of Net Cash Flows from Operating Activities to the Surplus / Deficit on the Provision of Services		
	2010/11 £'000	2011/12 £'000
Surplus / (Deficit) on the Provision of Services	(124,162)	(13,098)
Adjustments to the Surplus / Deficit on the Provision of Services for Non Cash Movements		
Depreciation, amortisation, impairment and downward valuations	260,065	46,286
Impairment losses on Loans & advances debited to surplus or deficit on the provision of services in year	0	26
Adjustments for effective interest rates	55	1,011
Increase / (decrease) in creditors	9,138	(7,971)
(Increase) / decrease in debtors	3,291	816
(Increase) / decrease in inventories	101	(2)
Pension liability	(72,893)	(2,968)
Contributions to/(from) provisions	5,422	(3,233)
Carrying amount of property, plant and equipment, investment property and intangible assets sold	3,060	25,231
Movement in investment property values	5,571	2,086
	213,810	61,282
Adjustments for items included in the Surplus / Deficit on the Provision of Services that are Investing or Financing Activities		
Capital grants credited to surplus / deficit on the provision of services	(54,284)	(35,937)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,533)	(8,803)
	(56,817)	(44,740)
Net Cash Flows from Operating Activities	32,831	3,444

Please note that the comparative figures for net cash flows from operating activities have been adjusted to remove the entries for short and long term investments sold. This adjustment has been made to meet the disclosure requirements of the Code. There is no impact on the overall net cash flows from operating activities.

Net Cash Flows from Operating Activities relating to Interest

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

Net Cash Flows from Operating Activities relating to Interest		
	2010/11 £'000	2011/12 £'000
Interest Received		
Ordinary interest received	4,527	1,386
Other adjustments for differences between effective interest rates and actual interest receivable	(19)	(16)
Movement in debtor	121	(57)
	4,629	1,313
Interest Paid		
Interest charge for year	(10,782)	(16,023)
Adjustments for differences between effective interest rates and actual interest payable	74	1,027
Movement in debtor	60	1,208
	(10,648)	(13,788)
Net Cash Flows from Operating Activities relating to Interest	(6,019)	(12,475)

Net Cash Flows from Investing Activities

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

Net Cash Flows from Investing Activities		
	2010/11 £'000	2011/12 £'000
Purchase of non current assets		
Property, plant and equipment purchased	(71,509)	(112,273)
Purchase of intangible assets	(1,016)	(533)
Purchase of heritage assets	0	(225)
Add back new finance leases (non cash flow item)	0	0
Add back PFI assets (non cash flow item)	0	48,475
Movement in capital creditors	93	(1,970)
	(72,432)	(66,526)
Purchase of short term investments	(9,996)	(36,732)
Long term loans granted	(52)	(157)
Proceeds from short term investments	3,626	39,961
Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,549	8,803
	(3,873)	11,875
Other Receipts from Investing Activities		
Other capital cash receipts	511	148
Capital grants received	65,903	20,757
	66,414	20,905
Net Cash Flows from Investing Activities	(9,891)	(33,746)

Net Cash Flows from Financing Activities

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

Net Cash Flows from Financing Activities		
	2010/11	2011/12
	£'000	£'000
Cash receipts of short and long term borrowing	20,000	28,081
Billing Authorities - Council Tax and NNDR adjustments	2,812	5,166
Repayment of short term and long term borrowing	(40,035)	(6,000)
Net Cash Flows from Financing Activities	(17,223)	27,247

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 and the authority has opted to disclose information on all its operating segments. The authority does not aggregate any operating segments for reporting purposes.

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.

On 1 November 2010, the authority was restructured to deliver services through a commissioning model with a commissioning team which looks at needs across the city and eight units delivering frontline services. As a result of this restructure, the authority restructured its operating segments for financial reporting purposes which came into effect in the reporting period. The new 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. The operating segment includes the following commissioning elements:

- Commissioner - Children, Youth & Families which covers the strategic planning and commissioning of children's services, safeguarding including the Local Safeguarding Children Board (LSCB) and the residential, fostering and secure accommodation placements provided by external agencies;
- Commissioner - Schools, Skills & Learning which covers the leadership of the education function, school advisory services, home to school transport, integrated child development and disability, healthy schools/healthy children support services and additional out of school learning activities;

- Commissioner – People which includes the Adult Social Care commissioning and contract support team which covers over 95% of social care services provided in the city from residential care and home care to voluntary sector preventative services. The commissioners work in partnership with the Primary Care Trust (PCT) to jointly commission services in the city.

The People operating segment also includes the following delivery units:

- Delivery Unit Children & Families which covers:
 - the fostering and adoption service, including assessing and supporting foster carers and potential adopters;
 - services for children with disabilities including residential and respite placements, social work time, direct payments and family support services;
 - early intervention services including children’s centres including health visitors, nurses, nursery nurses, early year visitors, administration staff, speech and language therapists, sexual health advisors, youth workers and substance misuse staff.
- Delivery Unit Adults Assessment which includes:
 - the support and intervention team whose services 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, disabled adults and adults with drug and alcohol misuse issues.
- Delivery Unit Adults Provider which covers:
 - Independence at Home homecare which provides re-enabling homecare to vulnerable people living in the community or leaving hospital to return home;
 - day services which are provided during the day for older people and older people with mental health needs to enable them to continue living independently and to provide carer relief.

Place

This operating segment includes the following commissioning elements:

- Commissioner – Housing which includes housing strategy, development and private sector housing, integrated housing adaptations service, housing needs, options and social inclusion, allocations and temporary accommodation and ‘supporting people’;
- Commissioner - City Regulation and Infrastructure which includes strategic planning and commissioning (including major procurement) of transport, highways, parking management, waste, recycling, parks, city planning and regulation of city services, economic development and regeneration.

The Place operating segment also includes the following delivery units:

- Delivery Unit Housing and Social Inclusion which has the responsibility for the management and maintenance of traveller services;
- Delivery Unit City Infrastructure which covers:
 - 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.
- Delivery Unit Planning & Public Protection
 - 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 covers the following commissioning elements:

- Commissioner - Communities and Equalities which is responsible for tackling inequality, promoting equality, the provision of grants to the voluntary sector and community development and engagement;
- Commissioner – Sports and Leisure which includes the commissioning of all sports facilities, sports development, the seafront, venues and outdoor events;
- Commissioner – Culture which includes the commissioning of all arts and cultural activity, tourism and visitor services, 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 Communities operating segment also includes the Tourism and Leisure delivery unit 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. The delivery unit also sustains employment in the local area by promoting the city to visitors and programming and producing events and conferences and supports the local economy through the development of the city's position as a premier conference, entertainment and exhibition destination through the effective management, promotion and delivery of a balanced programme at the Brighton Centre and Hove Centre. The delivery unit provides cultural and learning services for the local community as well as national and international visitors and a wide range of sports development and other opportunities to undertake physical activities which improve the well being of residents. The unit also covers 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.

The operating segment also includes 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 City Services delivery units which lead on improving the customer experience:

- 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 delivering the authority's improvement programme including 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 protects and promotes the authority's reputation with the aim to connect the authority with its community, to reflect the diverse interests of the city and be in harmony with the place it serves;
- Policy, Performance and Analysis which supports and advises the leadership of the authority on national, regional and local policy development and initiatives and develops the authority's approach to partnership working and sustainability. It also aims to pull together a variety of data sources from across the city to provide more intelligent, cross organisational information to support city wide and local commissioning.

Finance is also included in this operating segment. The Director of Finance 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 statutory financial statements 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 for 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:

- levies and precepts paid to external bodies;
- pension and early retirement costs;
- insurance premiums paid by the authority;
- concessionary fares which mainly represents the cost of reimbursing bus operators for free bus journeys starting within the city undertaken by people over 60 and eligible disabled people;
- financing costs which incorporate the management of the authority's cash flow, its borrowing (and other forms of long term funding) and its investments, and the management of associated risks;
- contingency funds set aside to meet potential future costs;
- corporate management costs including the functions of the Chief Executive, maintenance of statutory registers; completing staffing and other statutory returns and the cost of external audit and inspections;
- democratic representation and management which includes all members' allowances and expenses, advising voluntary bodies; officer advice and support to members; and subscriptions to local authority associations.

Housing Revenue Account (HRA)

This operating segment covers the management and maintenance of council housing and provision of services to tenants. The service is also responsible for rent accounting, arrears, sheltered housing, community participation, anti-social behaviour, car parking, right to buy and leasehold issues, and the estates service.

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

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

Operating Segment Income and Expenditure Analysis									
2010/11 Comparative Figures	People £'000	Place £'000	Communities £'000	Finance & Resources £'000	NHS Trust Managed S75 Services £'000	Corporate £'000	Total (exc HRA) £'000	Housing Revenue Account (HRA) £'000	Total £'000
Employee expenses	77,528	34,015	12,963	35,902	5,135	3,727	169,270	8,638	177,908
Other service expenses	135,732	57,322	16,460	203,652	18,312	21,735	453,213	23,585	476,798
Total Expenditure	213,260	91,337	29,423	239,554	23,447	25,462	622,483	32,223	654,706
Fees, charges and other service income	(36,596)	(39,586)	(12,505)	(17,461)	(8,728)	(7,292)	(122,168)	(47,247)	(169,415)
Government grants	(181,831)	(4,205)	(3,054)	(207,911)	(522)	(1,804)	(399,327)	(37)	(399,364)
Total Income	(218,427)	(43,791)	(15,559)	(225,372)	(9,250)	(9,096)	(521,495)	(47,284)	(568,779)
Net Expenditure	(5,167)	47,546	13,864	14,182	14,197	16,366	100,988	(15,061)	85,927

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 the adjustments required to adjust employee costs to a IAS 19 basis.

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 covering all recharges of expenditure and income internally within the authority.

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 covering all recharges of expenditure and income internally within the authority.

Government Grants

Government grants includes 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:

	2010/11	2011/12
	£'000	£'000
Net expenditure in the operating segment analysis	85,927	86,188
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the operating segment analysis	296,048	174,876
Amounts included in the operating segment analysis which fall outside the cost of services in the Comprehensive Income and Expenditure Statement	16,763	18,477
Cost of Services in the Comprehensive Income and Expenditure Statement	398,738	279,541

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 included in the Comprehensive Income and Expenditure Statement:

Reconciliation to Subjective Analysis							
2011/12	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)	272,007	(2,267)	269,740
Other service expenses	467,418	(45)	29,360	(6,045)	490,688	40	490,728
Support service and management and administration recharges	9,282	0	48,907	(58,189)	0	0	0
Depreciation, amortisation, revaluation losses and impairment of non current assets and movement in fair value of investment properties	0	0	46,286	0	46,286	2,086	48,372
Interest payments	404	(16,023)	0	0	(15,619)	16,023	404
Precepts and levies	166	(166)	5	(5)	0	199	199
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,148	1,148
Write out of disposed non current assets	0	0	8	0	8	25,271	25,279
Total Expenditure	638,023	(16,234)	239,253	(67,672)	793,370	42,500	835,870
Fees, charges and other service income	(151,442)	3,474	(5,862)	0	(153,830)	(3,475)	(157,305)
Support service and management and administration recharges	(16,540)	0	(51,132)	67,672	0	0	0
Income from non current assets disposals	0	0	0	0	0	(8,874)	(8,874)
Interest and investment income	(8,222)	1,386	0	0	(6,836)	(1,386)	(8,222)
Income from council tax	0	0	0	0	0	(119,304)	(119,304)
Government grants	(375,631)	29,851	(7,383)	0	(353,163)	(175,904)	(529,067)
Total Income	(551,835)	34,711	(64,377)	67,672	(513,829)	(308,943)	(822,772)
Surplus / Deficit on the Provision of Services	86,188	18,477	174,876	0	279,541	(266,443)	13,098

Reconciliation to Subjective Analysis							
2010/11 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	182,378	0	26,679	(4,297)	204,760	7,592	212,352
Other service expenses	446,941	(15)	32,501	(7,830)	471,597	9	471,606
Support service and management and administration recharges	7,977	0	55,929	(63,906)	0	0	0
Depreciation, amortisation, revaluation losses and impairment of non current assets and movement in fair value of investment properties	0	0	260,065	0	260,065	5,571	265,636
Interest payments	17,209	(13,826)	0	0	3,383	13,826	17,209
Precepts and levies	201	(201)	6	(6)	0	234	234
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,207	1,207
Write out of disposed non current assets	0	0	0	0	0	3,114	3,114
Total Expenditure	654,706	(14,042)	375,180	(76,039)	939,805	31,553	971,358
Fees, charges and other service income	(144,312)	3,636	(5,834)	0	(146,510)	(3,636)	(150,146)
Support service and management and administration recharges	(17,951)	0	(58,088)	76,039	0	0	0
Income from non current asset disposals	12	(12)	0	0	0	(2,520)	(2,520)
Interest and investment income	(7,164)	4,527	0	0	(2,637)	(4,527)	(7,164)
Income from council tax	0	0	0	0	0	(118,847)	(118,847)
Government grants	(399,364)	22,654	(15,210)	0	(391,920)	(176,599)	(568,519)
Total Income	(568,779)	30,805	(79,132)	76,039	(541,067)	(306,129)	(847,196)
Surplus / Deficit on the Provision of Services	85,927	16,763	296,048	0	398,738	(274,576)	124,162

36 Financial Assets and Liabilities – Financial Instruments

Categories of Financial Instruments

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

Categories of Financial Instruments						
	Long Term			Current		
	1 April 2010 £'000	31 March 2011 £'000	31 March 2012 £'000	1 April 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Investments						
Loans and receivables	0	0	0	9,535	13,103	9,309
Available for sale financial assets	0	0	0	33,487	43,890	43,602
Total Investments	0	0	0	43,022	56,993	52,911
Debtors						
Loans and receivables	642	430	445	0	0	0
Financial assets carried at contract amounts	12,652	0	0	39,729	49,157	33,721
Total Debtors	13,294	430	445	39,729	49,157	33,721
Borrowings						
Financial liabilities at amortised cost	(161,643)	(175,717)	(204,825)	(46,452)	(14,469)	(11,830)
Total Borrowings	(161,643)	(175,717)	(204,825)	(46,452)	(14,469)	(11,830)
Creditors						
Financial liabilities at amortised cost	0	0	0	0	0	0
Financial liabilities carried at contract amounts	0	0	0	(53,742)	(63,507)	(54,043)
Total Creditors	0	0	0	(53,742)	(63,507)	(54,043)

The above table includes cash equivalent and bank overdraft figures. Liabilities 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.

To counter the increased risk to rising interest rates, the authority entered into three forward borrowing deals totalling £30.0m. In February 2012, the last of these deals totalling £10.0m became operational. In addition, as a result of the abolishment of the HRA subsidy system from April 2012, the authority was required to take on additional debt totalling £18.081m. This amount was paid to central government on 28th March 2012, funded by five long-term loans with varying maturity dates. The authority repaid two loans totalling £6.0m during 2011/12.

The authority experienced a net cash flow deficit of £26.4m in 2011/12, which was funded by a combination of net borrowing of £22.1m, a reduction in short term investments of £4.5m and a downward movement in bank balance of £0.2m.

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:

Gains and Losses in Respect of Financial Instruments				
2011/12	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	8,949
Fee expense	107	12	43	162
Total expense in the Surplus / Deficit on the Provision of Services	9,056	12	43	9,111
Interest income	0	(271)	(559)	(830)
Fee income	0	(5)	0	(5)
Total income in the Surplus / Deficit on the Provision of Services	0	(276)	(559)	(835)
Gains on revaluation	0	0	(2)	(2)
Losses on revaluation	0	0	9	9
Surplus / Deficit Arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	0	0	7	7
Gain on derecognition	0	0	0	0
Net (Gain) / Loss for the year	9,056	(264)	(509)	8,283

Gains and Losses in Respect of Financial Instruments				
2010/11 Comparative Figures	Financial Liabilities	Financial Assets		Total
	Measured at Amortised Cost £'000	Loans and Receivables £'000	Available for Sale Assets £'000	£'000
Interest expense	8,348	0	0	8,348
Fee expense	98	12	42	152
Total expense in the Surplus / Deficit on the Provision of Services	8,446	12	42	8,500
Interest income	0	(226)	(364)	(590)
Fee income	0	(5)	0	(5)
Total income in the Surplus / Deficit on the Provision of Services	0	(231)	(364)	(595)
Gains on revaluation	0	0	(15)	(15)
Losses on revaluation	0	0	2	2
Surplus / Deficit Arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	0	0	(13)	(13)
Gain on derecognition	0	0	0	0
Net (Gain) / Loss for the year	8,446	(219)	(335)	7,892

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 loss on revaluation of £0.009m represents the price depreciation of investments not realised at 31 March 2012. The gain on revaluation of £0.002m represents the price appreciation of investments not realised as at 31 March 2012.

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 carried at Amortised Cost

Financial assets represented by loans and receivables, financial liabilities and long term 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 2010		31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Borrowing	(134,582)	(146,899)	(119,647)	(135,517)	(133,816)	(168,566)
Market Borrowing	(70,439)	(71,302)	(65,808)	(69,254)	(75,955)	(96,857)
Bank Overdraft	(2,739)	(2,739)	(4,731)	(4,731)	(6,884)	(6,884)
Other	(335)	(335)	0	0	0	0
Total Borrowing	(208,095)	(221,275)	(190,186)	(209,502)	(216,655)	(272,307)
Creditors	(53,742)	(53,742)	(63,507)	(63,507)	(54,043)	(54,043)
Total Financial Liabilities	(261,837)	(275,017)	(253,693)	(273,009)	(270,698)	(326,350)

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.

Short term creditors are carried at cost as this is a fair approximation of their value.

Financial Assets

Financial Assets						
	1 April 2010		31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	9,535	9,535	13,103	13,103	9,309	9,309
Available for Sale	33,487	33,487	43,890	43,890	43,602	43,602
Debtors	52,381	52,381	49,157	49,157	33,721	33,721
Total Loans and Receivables	95,403	95,403	106,150	106,150	86,632	86,632

Please note the above table includes cash equivalents.

Short term debtors are carried at cost as this is a fair approximation of their value.

All financial assets are short term at 31st March 2012; 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 Cabinet on 17 March 2011. Actual performance is also reported annually to members.

The key issues within the strategy were:

- the Authorised Limit for 2011/12 was set at £366m. This is the maximum limit of external borrowings and other long term liabilities;
- the Operational Boundary was expected to be £354m. 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 Director of Finance 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 on 24 March 2011 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.

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 2012	Historical Experience of Default	Adjustment for Market Conditions at 31 March 2012	Estimated Maximum Exposure to Default
	£'000			£'000
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	46,086	0.00%	0.00%	0
AA rated counterparties	0	0.03%	0.03%	0
A rated counterparties	6,750	0.08%	0.08%	5
Debtors	33,721	9.03%	9.03%	3,045
Total	86,557			3,050

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.

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 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Less than 1 year	(40,194)	(6,000)	0
Between 1 and 2 years	(6,000)	0	0
Between 2 and 5 years	0	0	(9,900)
Between 5 and 10 years	(4,092)	(5,456)	(6,479)
Between 10 and 15 years	(40,127)	(38,763)	(48,256)
More than 15 years	(115,527)	(135,527)	(143,191)
Total	(205,940)	(185,746)	(207,826)

Maturity Analysis of Financial Assets			
	1 April 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Less than 1 year	42,885	56,984	52,837
More than 1 year	0	0	0
Total	42,885	56,984	52,837

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 2012 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 £39.927m 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 £53.776m 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 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Central government bodies	15,139	12,032	11,160
Other local authorities	1,925	16,423	2,018
NHS bodies	4,259	1,949	1,086
Public corporations and trading funds	0	5	0
Other entities and individuals	27,694	24,825	22,690
Total Short Term Debtors	49,017	55,234	36,954

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

Long Term Debtors			
	1 April 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Mortgages – sold council properties	66	50	43
Mortgages – other	3	2	1
Improvement loans	43	33	33
Housing Association loans	141	0	0
Car loans	139	118	104
Deferred debtors	250	227	264
Finance lease	6,047	6,054	6,072
PFI prepayments	12,652	0	0
Total Long Term Debtors	19,341	6,484	6,517

38 Creditors

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

Short Term Creditors			
	1 April 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Central government bodies	(10,619)	(12,659)	(8,006)
Other local authorities	(7,880)	(8,019)	(8,018)
NHS bodies	(888)	(1,090)	(748)
Public corporations and trading funds	(122)	(188)	(136)
Other entities and individuals	(38,674)	(46,614)	(45,158)
Total Short Term Creditors	(58,183)	(68,570)	(62,066)

39 External Audit Costs

In 2011/12 the authority incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the authority's external auditors:

	2010/11 £'000	2011/12 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	352	323
Fees payable to the Audit Commission for the certification of grant claims and returns	53	52
Total	405	375

The amounts for external audit services carried out by the appointed auditor and certification of grants in 2010/11 have been updated from the estimate originally shown in the 2010/11 accounts to reflect the actual costs incurred.

Work relating to 2011/12 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.

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		
	2010/11 £'000	2011/12 £'000
On Street Parking Surplus	(7,566)	(9,527)
Utilised to Fund:		
Public transport	8,287	10,807
Borrowing costs for transport capital expenditure	3,327	3,383
Total Qualifying Expenditure	11,614	14,190

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		
	2010/11	2011/12
	£	£
Recruitment Advertising	520,881	203,190
Housing Issues - General Fund	4,148	13,674
Housing Issues - HRA	8,197	8,813
Public Transport Issues	76,464	60,590
Projects & Venues	164,917	182,396
Tourism	132,203	169,892
Children Social Care	47,803	20,314
Waste Collection (including changing collection rounds, kerbside collection / recycling)	104,705	80,620
Other Publicity and Marketing	332,643	210,185
Total	1,391,961	949,674

42 Landfill Allowance Trading Scheme (LATS)

In order to reduce the amount of biodegradable waste (for example, kitchen and garden waste, paper and card) going to landfill, the government issued tradable landfill allowances to waste disposal authorities to allow them to landfill a reducing number of tonnes for each year from 2005/06 to 2019/20. During 2011/12, it was announced that the scheme will be abolished after the 2012/13 scheme year.

The authority's allocation for 2011/12 was 39,240 tonnes (34,957 annual allowance plus 4,283 carried forward from previous years' surplus). An estimated 23,977 tonnes were actually landfilled, leaving 15,263 surplus allowances in 2011/12. Authorities which landfill more than their permitted allowance can purchase additional allowances from other waste disposal authorities that have surplus allowances or pay the government a financial penalty of £150 per tonne.

The allowances are reflected at fair value and are subsequently revalued each financial year. In previous years, the fair value of the assets was measured by using evidence of the market value of the same or similar assets. It is considered by the authority that the fair value of the allowances is £0 each, based on recent market sales of allowances and the assumption that there will be no future market for allowances as the scheme is due to end after 2012/13.

43 Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

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 2012, the authority has an obligation to meet its CRC responsibilities of £0.271m and has set aside this amount as a provision. This obligation is based on a CO₂ usage of 22,608 tonnes at £12 per tonne; the CO₂ usage is based on the authority's carbon footprint as at 2010/11 that was submitted and signed off by the Chief Finance Officer to the Department of Energy and Climate Change on 30th September 2011.

Following the end of 2011/12, the authority will submit an annual report on its carbon dioxide emissions for the 2011/12 financial year. The retrospective purchase of allowances is anticipated to take place from 1 June 2012 with a requirement for the authority to surrender allowances to the scheme by the last working day in July 2012 in proportion to its reported emissions for the preceding scheme year and in accordance with the scheme requirements.

44 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:

Capital Market Value £'000	Net Current Assets £'000	Trust Fund	Revenue Balance 01 April 2011 £'000	2011/12 Expenditure £'000	2011/12 Income £'000	Revenue Balance 31 March 2012 £'000
1,040	94	Brighton Fund	(62)	14	(46)	(94)
3,212	15	Gorham's Gift	(20)	68	(51)	(3)
570	106	Hedgecock Bequest	(19)	22	(26)	(23)
276	26	Oliver and Johannah Brown Fund	(39)	38	(12)	(13)
		Other Trusts				
333	18	Education	(99)	95	(12)	(16)
109	45	Music Trust	(42)	3	(6)	(45)
235	118	Various	(157)	73	(9)	(93)
92	545	Friends of the Royal Pavilion	(504)	68	(109)	(545)
5,867	967	Total	(942)	381	(271)	(832)

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 2012. 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.

A photograph of two deck chairs on a beach. The chairs have green and white striped fabric. They are set on a pebbly beach with the ocean and a clear sky in the background. The image is slightly faded and serves as a background for the text.

Brighton & Hove City Council

**Single Entity
Supplementary Statements
2011/12**

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 2011 £'000		Year Ended 31 March 2012 £'000
	Expenditure	
10,688	Repairs and maintenance	11,912
14,363	Supervision and management	12,649
266	Rents, rates, taxes and other charges	235
3,430	Negative subsidy payable	4,652
217,538	Depreciation and impairment of non current assets	3,501
41	Debt management costs	50
1,644	Revenue expenditure funded from capital under statute	65
158	Movement in allowance for bad debts	134
0	Exceptional Item in respect of HRA self financing settlement	18,081
248,128	Total Expenditure	51,279
	Income	
(41,632)	Dwelling rents	(44,131)
(1,197)	Non dwelling rents	(1,336)
(4,377)	Charges for services and facilities	(3,463)
(35)	Contributions towards expenditure	0
(47,241)	Total Income	(48,930)
200,887	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	2,349
222	Share of corporate and democratic core	222
201,109	Net Cost of HRA Services	2,571
	Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement	
(674)	(Gain) / Loss on sale of non current assets	3,970
(14)	Investment property net income	(15)
3,103	Interest payable and similar charges	3,504
(42)	Interest and investment income	(74)
0	Taxation and non specific grant income	(445)
299	Pensions interest cost and expected return on pensions assets	(101)
203,781	(Surplus) or Deficit for the year on HRA Services	9,410

Movement on the Housing Revenue Account Statement

The Movement on the Housing Revenue Account (HRA) Statement takes the outturn on the HRA Income and Expenditure Statement 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.

2010/11 £'000		2011/12 £'000
(3,623)	Balance on the HRA as at the end of the previous reporting period	(4,700)
203,781	(Surplus) / Deficit on the HRA Income and Expenditure Statement	9,410
(205,782)	Adjustments between accounting basis and funding basis under regulations	(11,461)
(2,001)	Net (increase) / decrease before transfers to or from reserves	(2,051)
666	Transfers (to) / from HRA earmarked reserves	31
(42)	Transfers (to) / from GF earmarked reserves	0
300	Contribution from HRA balance to fund capital expenditure	0
(1,077)	(Increase) / decrease in year on the HRA	(2,020)
(4,700)	Balance on the HRA as at end of current reporting period	(6,720)

Notes to the Housing Revenue Account (HRA) Financial Statements

I 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 outturn on the Housing Revenue Account Income and Expenditure Statement and reconciles it to the Surplus / Deficit for the year on the Housing Revenue Account service:

2010/11 £'000		2011/12 £'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT		
(209,042)	Charges for impairment of non current assets	7,525
0	Revaluation losses on Property, Plant and Equipment	(2,477)
0	Capital grants and contributions applied	445
(1,644)	Revenue expenditure funded from capital under statute	(65)
(948)	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	(10,744)
0	HRA self financing settlement	(18,081)
3,426	Capital Expenditure charged to the HRA	3,498
0	Voluntary provision for the financing of capital investment	191
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE		
1,635	Transfer of sale proceeds credited as part of the gain/loss on disposal to the HRA Income and Expenditure Statement	6,774
(13)	Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(11)
ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE		
9,506	Reversal of Major Repairs Allowance credited to the HRA	9,587
(8,496)	Use of the Major Repairs Reserve to finance new capital expenditure	(8,549)
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT		
336	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	293
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT		
(48)	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	52
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE		
(1,303)	Reversal of items relating to retirement benefits debited or credited to the HRA Income and Expenditure Statement	(788)
809	Employer's pensions contributions and direct payments to pensioners payable in the year	889
(205,782)	Total	(11,461)

2 Transfers to / from Earmarked Reserves

In 2011/12, £0.031m was transferred from the HRA balance to fund HRA earmarked reserves (£0.666m in 2010/11). 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 2011/12:

Transfers to / from Earmarked Reserves							
	Balance at 1 April 2010	Transfers From 2010/11	Transfers To 2010/11	Balance at 31 March 2011	Transfers From 2011/12	Transfers To 2011/12	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Reserves	(3,360)	1,922	(63)	(1,501)	1,589	(119)	(31)
Auto Meter Readers Reserve	0	0	(348)	(348)	0	0	(348)
Estates Development Budget Reserve	0	0	(234)	(234)	88	0	(146)
Revenue Grant Carry Forwards	0	0	(27)	(27)	0	0	(27)
Restructure Redundancy Reserve	(160)	0	(228)	(388)	0	0	(388)
Total	(3,520)	1,922	(900)	(2,498)	1,677	(119)	(940)

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

The automatic meter readers reserve is to fund the 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 is a 'tenant choice budget' that delivers resident led improvement priorities for an area. Each idea is considered by an elected panel of resident representatives.

The revenue grant carry forward is the unspent balance of a grant received for Social Housing Fraud.

The restructure redundancy reserve funds approved redundancy payments and associated pension payments.

3 Housing Stock

The council was responsible for managing 12,095 dwellings at 31 March 2012 (12,283 at 31 March 2011). The stock was made up as follows:

Housing Stock						
	0 Bed	1 Bed	2 Bed	3 Bed	4+ Bed	Total
2011/12						
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
Total	800	3,681	4,649	2,702	263	12,095
2010/11						
Bedsits	814	0	0	0	0	814
Bungalows	26	176	31	22	1	256
Flats	0	3,556	3,007	205	0	6,768
Houses	0	13	1,563	2,437	261	4,274
Maisonettes	0	0	102	63	6	171
Total	840	3,745	4,703	2,727	268	12,283

The following table summarises the change in stock:

	2010/11	2011/12
Stock at 1 April	12,304	12,283
Sales	(16)	(33)
Transferred to Brighton & Hove Seaside Community Homes Ltd	0	(150)
Conversions	(5)	(5)
Stock at 31 March	12,283	12,095

The following table shows the Balance Sheet values of the HRA non current asset:

2011/12	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
Balance at 1 April 2011								
Gross carrying amount	589,745	15,515	630	1,868	607,758	168	272	608,198
Accumulated depreciation	(8,174)	(395)	(582)	0	(9,151)	0	(53)	(9,204)
Net Carrying Amount at 1 April 2011	581,571	15,120	48	1,868	598,607	168	219	598,994
Capital Additions								
Additions	23,138	974	7	251	24,370	0	84	24,454
Asset Disposals								
Derecognition - disposals	(10,744)	0	0	0	(10,744)	0	0	(10,744)
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement								
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
Depreciation, Revaluation Loss and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement								
Depreciation charge	(8,202)	(250)	(43)	0	(8,495)	0	(54)	(8,549)
Reversal of previous year's depreciation	8,023	6	0	0	8,029	0	0	8,029
Revaluation (losses) / reversals	(2,430)	(47)	0	0	(2,477)	0	0	(2,477)
Impairment (losses) / reversals	(423)	(81)	0	0	(504)	0	0	(504)
Other Transactions								
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
Net Carrying Amount at 31 March 2012	591,077	16,127	12	2,119	609,335	169	249	609,753
Comprising								
Gross carrying amount	599,279	16,652	637	2,119	618,687	169	356	619,212
Accumulated depreciation	(8,202)	(525)	(625)	0	(9,352)	0	(107)	(9,459)
Net Carrying Amount at 31 March 2012	591,077	16,127	12	2,119	609,335	169	249	609,753

2010/11 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
Balance at 1 April 2010								
Gross carrying amount	797,419	14,145	630	0	812,194	168	162	812,524
Accumulated depreciation	(12,815)	(358)	(536)	0	(13,709)	0	(21)	(13,730)
Net Carrying Amount at 1 April 2010	784,604	13,787	94	0	798,485	168	141	798,794
Capital Additions								
Additions	17,170	46	0	49	17,265	0	110	17,375
Asset Disposals								
Derecognition - disposals	(948)	0	0	0	(948)	0	0	(948)
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement								
Revaluation increases	0	1,204	0	0	1,204	0	0	1,204
Revaluation re disposed assets	16	0	0	0	16	0	0	16
Depreciation written out	0	91	0	0	91	0	0	91
Impairment reversals	0	0	0	0	0	0	0	0
Depreciation, Revaluation Loss and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement								
Depreciation charge	(8,174)	(244)	(46)	0	(8,464)	0	(32)	(8,496)
Reversal of previous year's depreciation	12,799	130	0	0	12,929	0	0	12,929
Impairment (losses) / reversals	(222,077)	(10)	0	0	(222,087)	0	0	(222,087)
Other Transactions								
Other movements in gross carrying amount	(1,819)	0	0	1,819	0	0	0	0
Other movements in depreciation	0	116	0	0	116	0	0	116
Net Carrying Amount at 31 March 2011	581,571	15,120	48	1,868	598,607	168	219	598,994
Comprising								
Gross carrying amount	589,745	15,515	630	1,868	607,758	168	272	608,198
Accumulated depreciation	(8,174)	(395)	(582)	0	(9,151)	0	(53)	(9,204)
Net Carrying Amount at 31 March 2011	581,571	15,120	48	1,868	598,607	168	219	598,994

The vacant possession value for the dwellings in the HRA at 1 April 2012 was £1.592m as valued by the valuers, Wilks Head & Eve, compared with the value of £580.1m for its existing use as social housing. The difference of £1011.9m represents the cost to the government of providing council housing at less than open market rents.

4 Major Repairs Reserve

The Major Repairs Reserve records the unspent balance on HRA subsidy paid to the authority in the form of the Major Repairs Allowance. The following table analyses the movements on the Major Repairs Reserve:

Major Repairs Reserve		
	2010/11 £'000	2011/12 £'000
Balance at 1 April	0	0
Depreciation on Housing Stock	(8,174)	(8,202)
Depreciation on Other HRA Non Current Assets	(322)	(347)
Total	(8,496)	(8,549)
Contributions to Capital Expenditure on Housing Stock (Major Repairs Allowance)	9,506	9,587
Transfer from the HRA (Depreciation less than the Major Repairs Allowance on Housing Stock)	(1,332)	(1,385)
Transfer to the HRA (Depreciation on Other HRA Non Current Assets)	322	347
Balance at 31 March	0	0

5 Capital Expenditure and Financing

The authority incurred £24.440m of capital expenditure in respect of the HRA in 2011/12. 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	2010/11 Total £'000	Land, Houses and Other Property £'000	ICT Equipment £'000	2011/12 Total £'000
Capital Expenditure	18,909	110	19,019	24,435	84	24,519
Total Capital Expenditure	18,909	110	19,019	24,435	84	24,519
Funded by:						
Borrowing	3,983	110	4,093	5,041	84	5,125
Major Repairs Reserve	9,506	0	9,506	9,587	0	9,587
Revenue contributions	3,426	0	3,426	3,433	0	3,433
Contribution from Reserves	350	0	350	1,589	0	1,589
Capital Receipts	0	0	0	4,275	0	4,275
Capital Grants	0	0	0	445	0	445
Revenue Expenditure Funded from Capital under Statute	1,644	0	1,644	65	0	65
Total Funding	18,909	110	19,019	24,435	84	24,519

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

Capital Receipts from Disposals		
	2010/11 £'000	2011/12 £'000
Right to Buy Sales of Houses and Flats	1,599	1,528
Mortgages Repayments	16	7
Discount Repayments	36	14
Total	1,651	1,549

The authority also received a capital receipt of £6.462m in respect of the transferred properties to Brighton & Hove Seaside Community Homes Ltd.

6 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 2011/12 the depreciation charged on HRA assets was £8.549m (£8.496m 2010/11). The charge for depreciation of £8.202m relating to the housing stock is funded from the Major Repairs Allowance; in 2011/12 this allowance was £9.587m. The difference of £1.385m between the depreciation charge and the major repairs allowance is appropriated from the HRA to the Major Repairs Reserve. The charge of £0.347m relating to other non current assets is appropriated from the Major Repairs Reserve to the HRA. The following table shows the depreciation charged on HRA assets:

Depreciation and Amortisation		
	2010/11	2011/12
	£'000	£'000
Intangible Assets		
ICT Software	32	54
Property, Plant and Equipment		
Council Dwellings	8,174	8,202
Other Land and Buildings	244	250
Vehicles, Plant, Furniture and Equipment	46	43
Total Depreciation	8,496	8,549

7 Impairment and Revaluation Losses

During 2011/12, the authority's valuers, Wilks Head and Eve, assessed that as at 1 April 2011 there should be a reduction in the value of council dwellings resulting in a revaluation loss of £12.067m. A further impairment review report was commissioned by the authority which reported a recovery of valuations by 1.7% leading to a reversal of the revaluation loss of £9.637m. The revaluation loss and subsequent reversal have been charged to the HRA Income and Expenditure Statement.

The revaluation loss of £0.047m 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 revaluation losses charged to the HRA Income and Expenditure Statement also include £8.029m of accumulated depreciation on housing stock and other non current assets that was reversed as part of the revaluation undertaken in 2011/12.

The impairment loss of £0.504m charged to the HRA Income and Expenditure Statement relates to some assets that have been leased out by the authority under finance leases which should have been removed from the authority's Balance Sheet in previous years. The following table shows the impairment and revaluation losses in respect of HRA assets:

Impairment and Revaluation Losses		
	2010/11	2011/12
	£'000	£'000
Impairment Losses		
Reduction in value of council dwellings	222,077	0
Reduction in value of other land and buildings	0	0
Write out of non current assets	0	504
Total Impairment Losses	222,077	504
Revaluation Losses		
Reduction in value of council dwellings	0	12,067
Reduction in value of other land and buildings	10	47
Reversal of previous revaluation losses	0	(9,637)
Total Revaluation Losses	10	2,477

8 Subsidy Payable

For the reporting period, the authority's HRA was 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 national subsidy system redistributes resources between authorities. It is a complex system which can result in a cost to the authority if it enters into negative subsidy. The subsidy system was introduced in 1990.

The authority entered into negative subsidy in 2008/09 and remained in negative subsidy for 2009/10, 2010/11 and 2011/12. The amount of subsidy paid in 2011/12 was £4.652m.

The subsidy system has been abolished by the Localism Act 2011 and has been replaced with a new system of self financing which came into effect from 1 April 2012. Under self financing, the authority will no longer be required to transfer its resources to central government, but in return will be required to take on additional debt called the 'self financing settlement', at a level which is sustainable in the long term. 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 council homes.

The authority was required, under the Settlement Payments Direction, to make the settlement payment to the Secretary of State on or before 28 March 2012 and it is therefore a transaction in the current reporting period. The level of additional debt in respect of the self financing settlement was £18.081m. The self financing settlement has been included as an exceptional item on the face of the HRA Income and Expenditure Statement.

Subsidy Payable		
	2010/11 £'000	2011/12 £'000
Income		
Rental Income (Notional)	41,367	43,857
Rental Constraint Allowance	0	0
Interest on Receipts	3	2
Total Housing Element Income	41,370	43,859
Expenditure		
Repairs, Maintenance and Management (Notional)	(23,493)	(24,095)
Major Repairs Allowance	(9,506)	(9,587)
Voluntary Repayment of Debt	0	(191)
Charges for Capital	(4,941)	(5,276)
Total Housing Element Expenditure	(37,940)	(39,149)
Total HRA Subsidy Payable	3,430	4,710
Subsidy Adjustment	0	(58)
HRA Subsidy Outturn	3,430	4,652

9 Revenue Expenditure funded from Capital under Statute

The authority charged £0.065m of revenue expenditure funded from capital under statute to the HRA Income and Expenditure Statement; this related to capital expenditure incurred by the authority on an asset it does not own. This was reversed out in the Movement on the HRA Statement to the Capital Adjustment Account so that there was no impact on the HRA balance.

10 Share of Contributions to the Pensions Reserve

In accordance with IAS 19 the HRA Income and Expenditure Statement includes £0.101m, for its share of the contribution from the Pensions Reserve. The costs calculated by the pensions' actuary include current service cost, interest on pension liability, and expected return on assets. The HRA share is calculated by apportioning costs based on employers contributions charged to the HRA for the year. In accordance with proper accounting practice, the contribution is then removed by crediting the Movement on the Housing Revenue Account Statement to ensure the HRA is only charged with pension fund contributions payable for the year.

11 Rent Arrears

At 31 March 2012, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £1.211m (£1.237m 31 March 2011). This represents a reduction in arrears as a proportion of gross rental income from 2.91% to 2.7%.

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

Rent Arrears and other Bad Debts written off		
	2010/11	2011/12
	£'000	£'000
Impairment at 1 April	1,340	1,109
Change in Impairment charged to the HRA	158	134
Rent Arrears and other Bad Debts written off	(389)	(168)
Impairment for Bad Debts at 31 March	1,109	1,075

12 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 2011/12 was £8.091m.

The following table shows the breakdown of this adjustment:

Item 8 Credit and Item 8 Debit (General) Determination		
	2010/11	2011/12
	£'000	£'000
Capital Asset Charges		
Impairment	222,077	504
Revaluation losses	10	2,477
Revenue expenditure funded from capital under statute	1,644	65
Depreciation charge in respect of council dwellings	8,174	8,202
Other depreciation charges	322	347
Total Capital Asset Charges	232,227	11,595
Actual interest charged on HRA debt	(3,103)	(3,504)
Capital Asset Charges Accounting Adjustment	229,124	8,091

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 2011		Year Ended 31 March 2012	
£'000		£'000	£'000
(116,256)	Amounts required by statute to be credited to the Collection Fund		
	Council Tax		(115,747)
(24,828)	Transfers from General Fund		
(91)	- Council Tax Benefits	(24,596)	
	- Transitional Relief	(85)	
(24,919)			(24,681)
(91,178)	Income Collectable from Business Ratepayers		(96,163)
(232,353)	Total Amount required by statute to be credited to the Collection Fund		(236,591)
	Amounts required by statute to be debited to the Collection Fund		
119,346	Precepts and Demands from Major Preceptors and the Authority		
	- Brighton & Hove City Council	119,835	
13,082	- Sussex Police Authority	13,136	
7,737	- East Sussex Fire Authority	7,768	
140,165			140,739
	Business Rates		
90,842	- Payment to National Pool	95,829	
427	- Costs of Collection	419	
91,269			96,248
	Impairment of Debts/Appeals		
849	- Write offs of Uncollectable Amounts	808	
656	- Allowance for Impairment	(581)	
1,505			227
	Contribution		
2,685	- Towards previous year's estimated Collection Fund Surplus		0
235,624	Total Amount required by statute to be debited to the Collection Fund		237,214
3,271	Movement on Fund Balance		623
(3,056)	Opening Fund Balance		215
215	Closing Fund Balance		838

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 Authority, 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*	8	7	5/9	3.89
Band A	24,698	20,914.75	6/9	13,943.17
Band B	26,803	23,674.60	7/9	18,413.58
Band C	30,894	28,238.70	8/9	25,101.07
Band D	18,116	16,767.35	9/9	16,767.35
Band E	10,549	9,852.20	11/9	12,041.58
Band F	4,296	4,052.35	13/9	5,853.39
Band G	2,522	2,385.45	15/9	3,975.75
Band H	130	118.75	18/9	237.50
				96,337.28
Less provision for losses in collection				(1,439.39)
Tax Base For 2011/12				94,897.89
Tax Base For 2010/11				94,511.05

* Entitled to disabled relief reduction.

The estimated gross council tax yield (before the provision for losses in collection) for 2011/12 of £142.873m was based on Band D equivalent dwellings of 96,337.28 multiplied by the average Band D council tax charge of £1,483.05. The actual gross council tax yield for 2011/12 of £141.737m is equivalent to a decrease of 766 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 and discounts.

2 National Non Domestic Rates (NNDR)

The authority is responsible for collecting non domestic rates (NNDR) in Brighton and Hove. The NNDR is charged on the basis of the rateable value for business premises multiplied by a national non domestic multiplier. The total non domestic rateable value at 31 March 2012 was £266.893m (£266.504m at 31 March 2011). The non domestic multiplier for 2011/12 was 43.3p and the small business non domestic multiplier was 42.6p. The NNDR charge, less transitional relief, empty property relief, charity relief and successful appeals against the rateable value, is paid into a national pool for redistribution by central government. The amount payable to the national pool for 2011/12 was £95.829m (£90.842m for 2010/11). The authority received £85.871m in 2011/12 (£95.340m in 2010/11) from the national non domestic rate pool.



Brighton & Hove City Council
Statement of Accounting Policies
2011/12

Statement of Accounting Policies

A. General

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

Circumstance	Fair Value
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 grant or contribution 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 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.

The authority classifies all other assets as long term.

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 is 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.

The authority classifies all other liabilities as long term.

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;
 - unlisted 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 in 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 or Deficit on the Provision of Services in 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 in 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, 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 deminimis level of £20,000 for land and buildings and vehicles, plant and equipment. Items of expenditure below this deminimis level are charged to the relevant cost of service within the Comprehensive Income and Expenditure Statement in the year it is incurred. The authority has no deminimis level for enhancement expenditure and therefore all enhancement expenditure is capitalised.

Where a component is replaced (i.e. enhancements), the authority de-recognises 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 deminimis level, the deminimis 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 or Housing Revenue Account; such amounts are transferred to the Capital Adjustment Account and reported in 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 are also not proper charges to the HRA; such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. The depreciation charges for HRA dwellings are real charges to the HRA since the Major Repairs Allowance (MRA) is likely to constitute a reasonable estimate of depreciation for HRA dwellings. Where the depreciation for HRA dwellings is less than the MRA, an amount equal to the difference is transferred from the HRA to the Major Repairs Reserve and reported in the Movement in Reserves Statement. Conversely where depreciation charges for HRA dwellings are greater than the MRA, an amount equal to the difference is transferred to the HRA from the Major Repairs Reserve and reported 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.

De-recognition

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 of 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).

De-recognition

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 De-recognition) and in accordance with its disposal policy on intangible assets for intangible heritage assets (see separate policy for Intangible Assets under De-recognition).

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.

In practice, the authority does not have any sale and leaseback transactions.

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 de-recognition 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 or Housing Revenue Account. As a result, the gain or loss is reversed out in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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 de-recognised.

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.

De-Recognition

An investment property is de-recognised 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 de-recognition 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 is recognised initially at fair value.

Internally Generated Assets

The authority only recognises internally generated intangible assets as intangible assets where it can demonstrate:

- that the project is technically feasible so the asset will be available for use or sale;
- its intention to complete the project (with adequate resources being available);
- that it will be able to generate future economic benefits or deliver service benefits (either by demonstrating a market for the asset or the usefulness of the asset) by being able to sell or use the asset; and
- its ability to measure reliably the expenditure attributable to the asset during the development phase.

The generation of the asset is classified into a research phase and a development phase. The authority measures the cost of an internally generated intangible asset as the sum of expenditure incurred in the development phase of the project, but only after it has become probable that the expected future benefits attributable to the asset will flow to the authority. In practice the authority does not have any internally generated assets.

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.

The authority only carries an intangible asset at a revalued amount (i.e. fair value) (less any accumulated depreciation and impairment) where its fair value can be determined by reference to an active market. Where this is the case, all assets in that class are carried at fair value unless there is no active market for an asset. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised 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.

Intangible assets with an indefinite useful life are not amortised. The useful life of the asset is reviewed annually by the authority and amended where required. In practice, no intangible assets held by the authority have indefinite lives.

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 or Housing Revenue Account, they are subsequently transferred to the Capital Adjustment Account and reported in 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.

De-Recognition

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from the asset. The gain or loss arising from de-recognition 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 de-recognised. The gain or loss on de-recognition 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 de-recognition 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 or Housing Revenue Account, the amount is transferred to the Capital Adjustment Account and reported in 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 or Housing Revenue Account, the amount is transferred to the Capital Adjustment Account and reported in 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 de minimis 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 de-recognised, 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.

De-Recognition

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 de-recognition.

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 Governments 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 either:

- 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.

De-Recognition

Financial Liabilities

The authority de-recognises 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 de-recognised 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 de-recognition 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 de-recognition 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 Un-collectability 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 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. Landfill Allowance Trading Scheme (LATS)

The authority accounts for its Landfill Allowance Trading Scheme in accordance with the treatment set out in Accounting Standards Board Information Sheet no. 61 on accounting for emission rights. Landfill allowances, whether allocated by the Department for the Environment and Rural Affairs (DEFRA) or purchased from another waste disposal authority (WDA), are recognised as assets and classified as current assets on the Balance Sheet and are measured initially at fair value.

As landfill allowances are issued free by DEFRA (i.e. less than fair value), the difference between the price paid for them (i.e. nil) and their fair value at the date of allocation is accounted for as a government grant. This amount is initially recognised as deferred income within short term creditors in the Balance Sheet and is subsequently recognised as income over the scheme year.

As landfill is used, a liability (i.e. a provision) and expense are recognised for actual biodegradable municipal waste (BMW) landfill usage. The liability is discharged by using allowances to meet the liability, paying a cash penalty to DEFRA or a combination of both. The liability is measured at the present market price at the reporting date of the number of allowances needed to cover the actual landfill usage for the year. If some or the entire obligation will be met by paying a cash penalty to DEFRA, that part of the liability is measured at the cost of the penalty rather than at the market price of the relevant number of allowances. After initial recognition, the value of landfill allowances is re-measured at the lower of cost or net realisable value.

HH. Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The authority accounts for its Carbon Reduction Commitment Energy Efficiency Scheme in accordance with the treatment set out in CIPFA's Local Authority Accounting Panel (LAAP) Bulletin 91.

The financial year 2011/12 was the first year that CRC emissions gave rise to a liability to purchase and surrender CRC carbon allowances. The scheme is currently in its introductory phase.

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.

II. 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).

JJ. 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.

KK. 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
2011/12

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

Opinion on the Authority financial statements

I have audited the financial statements of Brighton & Hove City Council for the year ended 31 March 2012 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, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. 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 2011/12.

This report is made solely to the members of Brighton & Hove City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director Finance's Responsibilities, the Director of Finance 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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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 Director of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the Summary of Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2012 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 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the Summary of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am 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 2012.

Certificate

I certify that I 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
District Auditor

Audit Commission
Bicentennial Building
Southern Gate
Chichester, West Sussex PO19 8EZ.

26 September 2012

A photograph of Brighton & Hove Pier, a long wooden structure extending into the sea. The pier features a large, ornate building with a central dome and two towers, likely the Brighton Pavilion. The sky is overcast, and the water is calm. The text is overlaid on the lower half of the image.

Brighton & Hove City Council

**Glossary of Terms
2011/12**

Glossary

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.

Building Schools for the Future Reserve

The Building Schools for the Future reserve holds resources committed to support the 2012/13 capital programme including providing new pupil places to meet projected demand across the city.

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 Authority 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 Credits

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

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.

Departmental Carry Forwards

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

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.

Discontinued Operation

A discontinued operation is an activity of the authority that must cease completely. Responsibilities transferred from one part of the public sector to another are not discontinued operations.

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, or
- a contract that will or may be settled in the entity's own equity instruments; in practice this is not applicable to local authorities.

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, or
- a contract that will or may be settled in the entity's own equity instruments; in practice this is not applicable to local authorities.

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.

Financing Costs Reserve

The financing costs reserve is used to meet future projected investment income losses.

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.

Insurance Reserve

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 financed from this reserve. An element of the reserve is used to fund training on risk management to support delivery of the risk management strategy and to fund measures to address operational hazards/risks identified.

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 along with the HRA Subsidy Determination. It is based on notional debt and interest calculated in accordance with the requirements of the determination.

Landfill Allowance Trading Scheme (LATS)

LATS was introduced by the Government in the 2003 Waste and Emissions Trading (WET) Act to help the UK to meet its Landfill Directive targets. The government allocates each authority an allowance in tonnes for the amount of Biodegradable Municipal Waste it can send to landfill. Local Authorities are allowed to trade their allowances with other authorities and can also bank their allowances for future years. The scheme will cease in 2012/13.

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 records the unspent balance of Housing Revenue Account (HRA) subsidy paid to the authority in the form of the Major Repairs Allowance.

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.

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.

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 Authority 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) Reserves

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

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.

Single Status Reserve

The single status reserve holds monies set aside to meet future potential costs relating to equal pay legislation which cannot be estimated with any certainty at the Balance Sheet date.

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.

Waste PFI Prepayment Reserve

The waste PFI prepayment reserve represents the amount included in the unitary charge that the authority has modelled as contributing towards the development of waste PFI facilities.



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Translation? Tick this box and take to any council office.

- | | | |
|--|----------------------|--------------------------|
| Perkthim? Zgjidhni kete kuti dhe cojeni ne cilendo zyre keshilli. | Albanian | <input type="checkbox"/> |
| ترجمة؟ ضع علامة في المربع وخذها إلى مكتب البلدية. | Arabic | <input type="checkbox"/> |
| অনুবাদ? বক্সে টিক চিহ্ন দিয়ে কাউন্সিল অফিসে নিয়ে যান। | Bengali | <input type="checkbox"/> |
| 需要翻译? 请勾选此框并送至任何理事会的办公室。 | Chinese | <input type="checkbox"/> |
| Farsi ترجمه؟ چهارگوشه را نشانه گذاری کرده و به یکی از انجمن های مشاوره رجوع کنید. | Farsi | <input type="checkbox"/> |
| Traduction? Veuillez cocher la case et apporter au Council. | French | <input type="checkbox"/> |
| Tradução? Coloque um visto na quadrícula e leve a uma qualquer repartição de poder local (Council Office). | Portuguese | <input type="checkbox"/> |
| Tercümesi için kareyi işaretleyiniz ve bir semt belediye bürosuna veriniz | Turkish | <input type="checkbox"/> |
| | other (please state) | <input type="checkbox"/> |

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