Brighton & Hove City Council

Statement of Accounts 2015/16

Brighton & Hove City Council

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Narrative Report

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

The council is responsible for all local government functions and services including social care services, libraries, waste collection and disposal, highway management, housing, education, planning, licensing, public health and more.

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

The council's Corporate Plan covers the period 2015-19 and is set in the context of a challenging financial future and focuses on modernising services to improve digital accessibility of services, reduce the cost of provision where possible, and looks at alternative ways of providing services with public sector and other partners, particularly integration with health services. Through modernising services and providing effective city leadership and governance, the council will be able to deliver on its key Corporate Plan service priorities which cover:

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

The council's Medium Term Financial Strategy (MTFS) and four year Integrated Service and Financial plans accompany the Corporate Plan; all are available on the council's website, www.brighton-hove.gov.uk.

The MTFS covers a four year period and sets out key planning assumptions and resource projections over the period together with information about key areas for capital and revenue investment and the council's financing and treasury management strategies. The MTFS is however due to be refreshed following changes in government policy including the flexibility available to local authorities to increase council tax by 2% in respect of increasing adult social care costs.

Financial Highlights

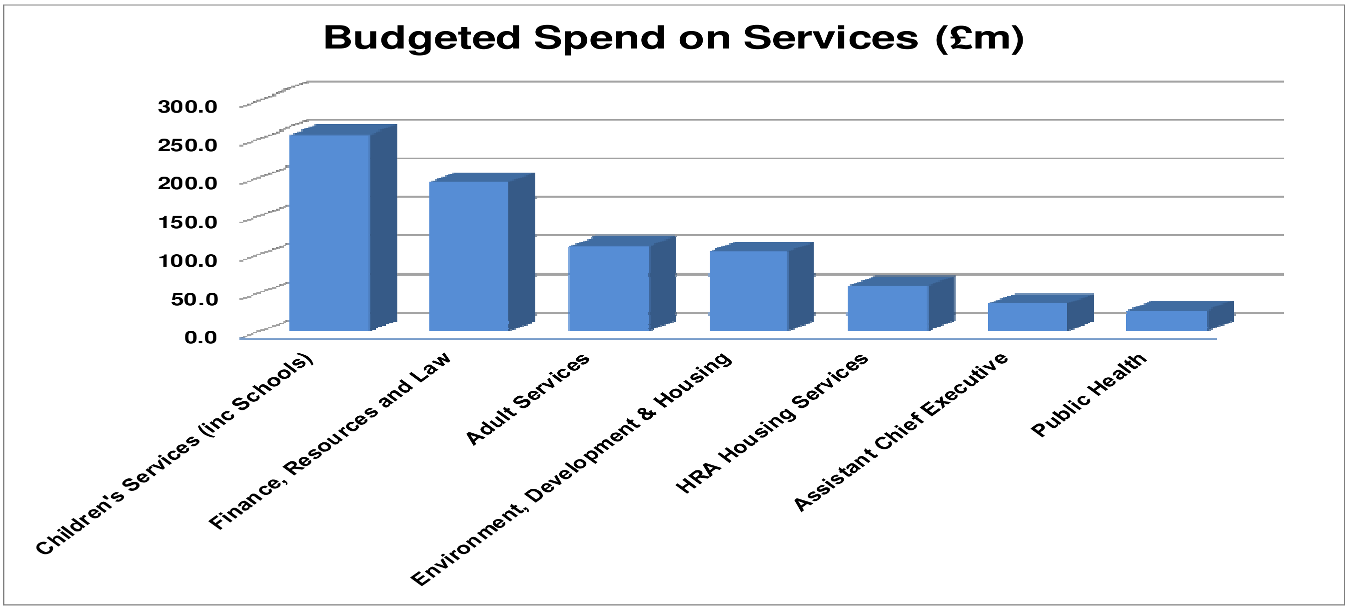
Central government's ongoing deficit reduction measures resulted in the level of the council's local government finance settlement for 2015/16 being 14.1% lower than the settlement for 2014/15. This reduction, alongside growing service and inflationary pressures and reduced specific grant funding, required the council to identify and deliver substantial savings of over £20m whilst minimising the impact on residents and essential public services.

As part of the budget strategy for 2015/16, the council set a 1.99% increase in council tax, which resulted in its share of council tax on a Band D property being £1,338.68, an increase of £26.10 on 2014/15. The principles the council applied to the budget strategy for 2015/16 were:

- Corporate Plan priorities: all savings and investments were developed in the context of how they could support one or more of the Corporate Plan priorities;
- Value for Money: the budget process for 2015/16 continued the drive for value for money efficiency savings; further details are provided in the 'Modernisation and Value for Money' section.

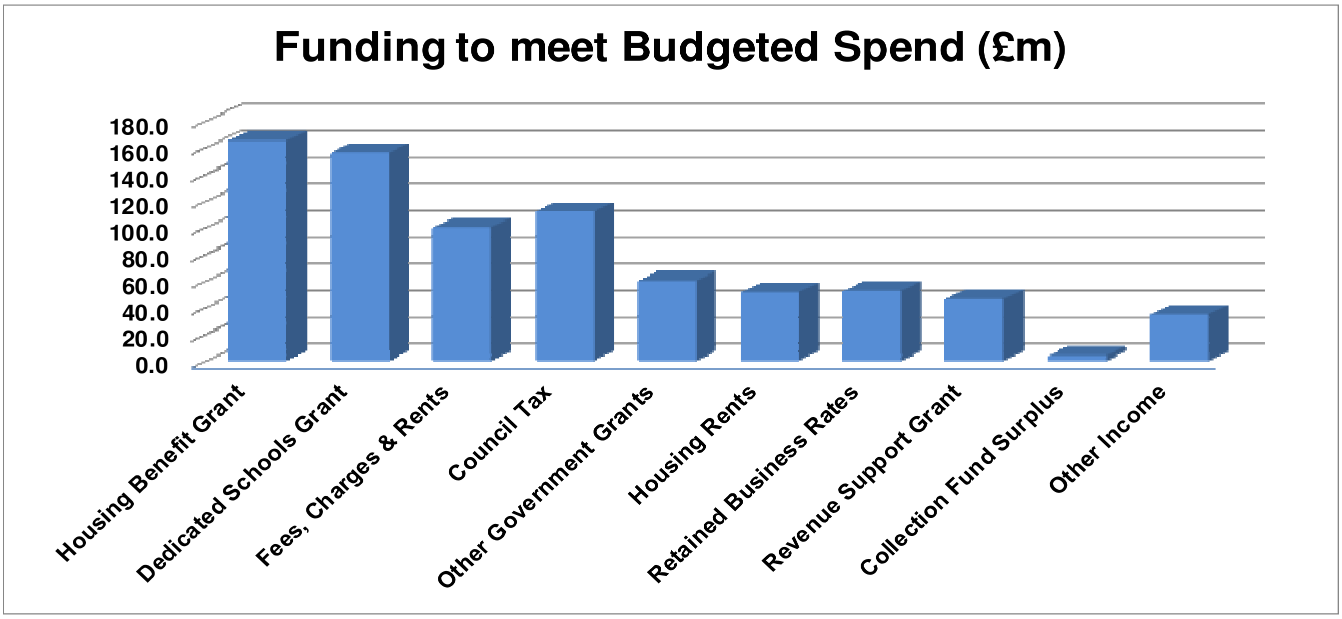
- Partnership and Community working: partnership working with the statutory and third sectors continues to develop to ensure that there is an effective and efficient mixed economy of provision in the city and across the Greater Brighton area. The Greater Brighton Economic Board has been operating since 2014 and exists to bring about sustainable economic development and growth across Greater Brighton ('the City Region') by coordinating activities and investment at a regional level;
- Invest to save: the budget strategy is increasingly focused on an 'invest-to-save' approach linked to the capital investment programme and the MTFS.

In 2015/16, the council set a gross revenue budget of approximately £782m. The following chart shows how much the council intended to spend on individual services:



Within this budget, the council included appropriate provisions for pay and price increases as well as provisions to mitigate potential financial risks relating to the achievement of substantial savings proposals.

The following chart shows where the funding came from to fund the council's gross revenue budget:



The council has approximately £1.8bn of non current assets on its Balance Sheet as at 31 March 2016; these mainly comprise property, plant and equipment, heritage assets and investment property. For the first time, the council prepared a capital investment programme over a ten year period covering the period 2015/16 to 2024/25 setting out a high level forecast of its investment plans to support service delivery in priority areas. In 2015/16 the council planned to spend over £120m on its non current assets; the majority of this budgeted expenditure was for new capital schemes starting in 2015/16 but also included budgeted expenditure for the completion of existing committed schemes. The new schemes include the Shelter Hall at West Street scheme (£10.6m essential reconstruction of a primary highway structure) and the Brooke Mead Extra Care Housing scheme (a £12m redevelopment of a council housing site in central Brighton delivering 45 one bedroom units of accommodation).

The funding of the capital investment programme was partly dependent upon the achievement of capital receipts from the disposal of surplus buildings and right to buy receipts. The council has been successful in attracting grant and other external contributions, often with partners, to generate other resources to enable a programme to be set at this level. The council also planned to fund part of the investment programme through borrowing, under strict prudential limits, as well as some funding being set aside from the revenue budget.

The council's 2015/16 revenue and capital budgets were approved on 3 March 2015. Further details on the budget can be found on the council's website.

Modernisation and Value for Money (VfM)

The council's VfM focus is on commissioning and re-commissioning services, exploring alternative delivery options, and working with partners to improve services, manage demands or reduce costs. The approach includes benchmarking services with others including other authorities and those in the private and third sectors where possible to seek improved delivery approaches that can save money or help to manage growing demands. This allows members and officers to make informed decisions about areas to prioritise for potential value for money efficiency savings and / or performance improvements.

The council has closely linked its VfM work to its modernisation programme and will focus on continued procurement and third party contract economies, appropriate income generation activity and an options appraisal for delivery of central services within a 'shared service' arrangement with East Sussex and Surrey County Councils. There will also be continued support for realising cost efficiencies across adult and children's social care services, particularly in relation to contracted, high cost placement and accommodation services. The council's Modernisation Programme is embedded in the Corporate Plan and also includes ICT and digital customer services, reduced property costs and modernising workplaces to reduce the need for administrative buildings ('workstyles') and improving integrated working with health partners.

Summary of Financial Performance

The council continues to deliver services within budget and maintain appropriate levels of reserves and balances to manage increasing financial and other risks both in year and for future years. It approached the 2015/16 financial year from a strong financial base with a continuing track record in effective financial management. However, growing pressures on demand led budgets during the year required tougher recruitment and spending restrictions to be applied from September in order to mitigate against potential overspending.

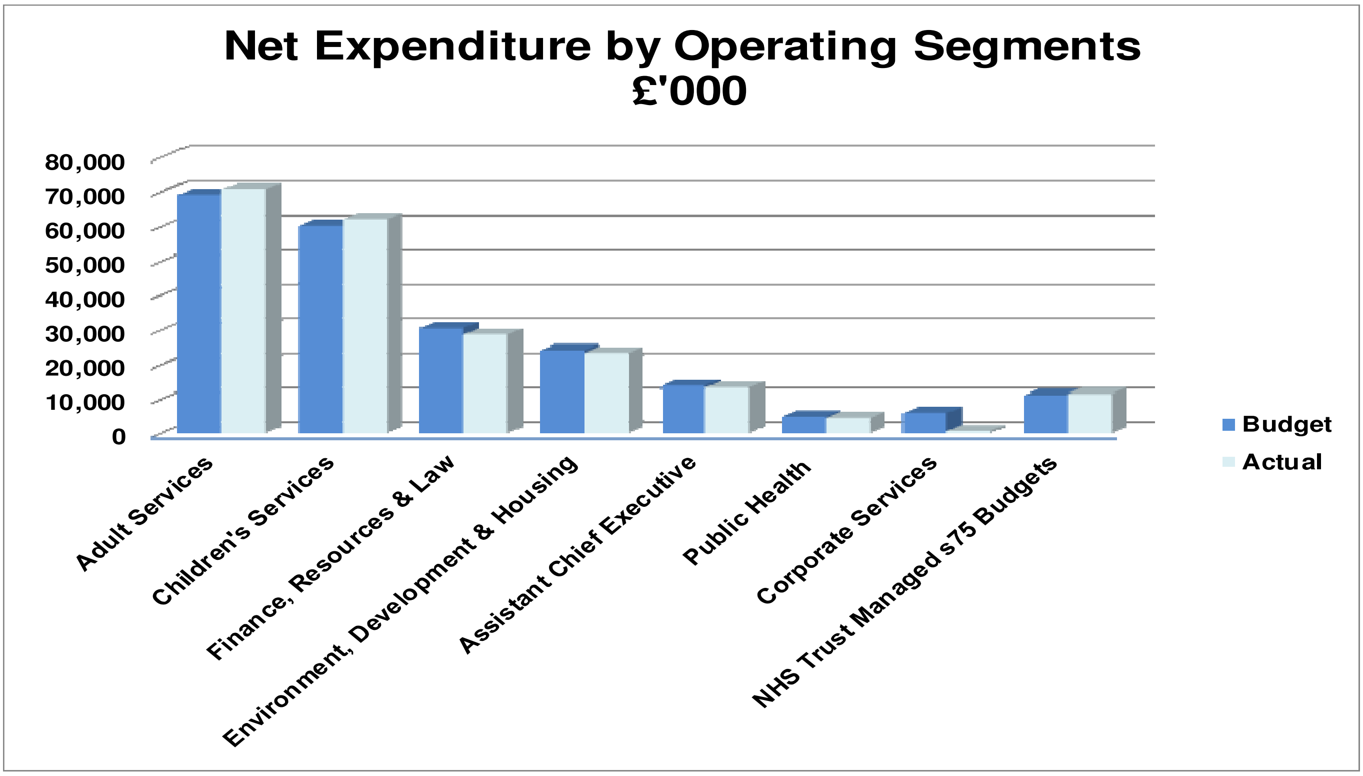
These controls were effective and the council achieved an underspend of £1.084m on its General Fund activities and received one off funding of £1.368m from the Better Care Fund towards ongoing adult social care pressures and a further one off amount of £2.328m resulting from Full Council's decision to change the council's minimum revenue provision (MRP) policy in February 2016. Taken together these resulted in an overall underspend of £4.780m (2.2%) on the General Fund budget. This indicates that the council's corporate financial management has been effective in a challenging environment with increasing demands and that pressures and risks identified throughout the financial year have been successfully mitigated. The council has also significantly addressed the ongoing financial impact in the 2016/17 budget by providing significant resources, primarily through savings programmes, to meet demand led pressures across social care and homelessness.

The Housing Revenue Account (HRA) has underspent by £2.085m in 2015/16. There was also an underspend of £0.432m on the Dedicated Schools Grant which, as required by the School Finance regulations, will be carried forward to support schools' funding in 2016/17.

In 2015/16, the council reported its financial performance across nine service areas – Children's Services (excluding schools), Adult Services, Environment, Development & Housing, Assistant Chief Executive, Public Health (including Community Safety & Public Protection), Finance, Resources & Law, Corporate Services, NHS Trust Managed Section 75 (s75) Budgets and HRA. These service areas are classed as the council's "operating segments".

Revenue Outturn

The outturn for the council's General Fund services was a contribution to the General Fund working balance of £4.780m. The following chart shows the council's service specific spend information analysed over its General Fund operating segments and compared against the budgeted level:



The outturn for the HRA services was a contribution to the HRA working balance of £2.085m which compares with a budgeted contribution to of £0.874m representing a 3.54% positive variation on the revenue budget. The following table shows the HRA outturn:

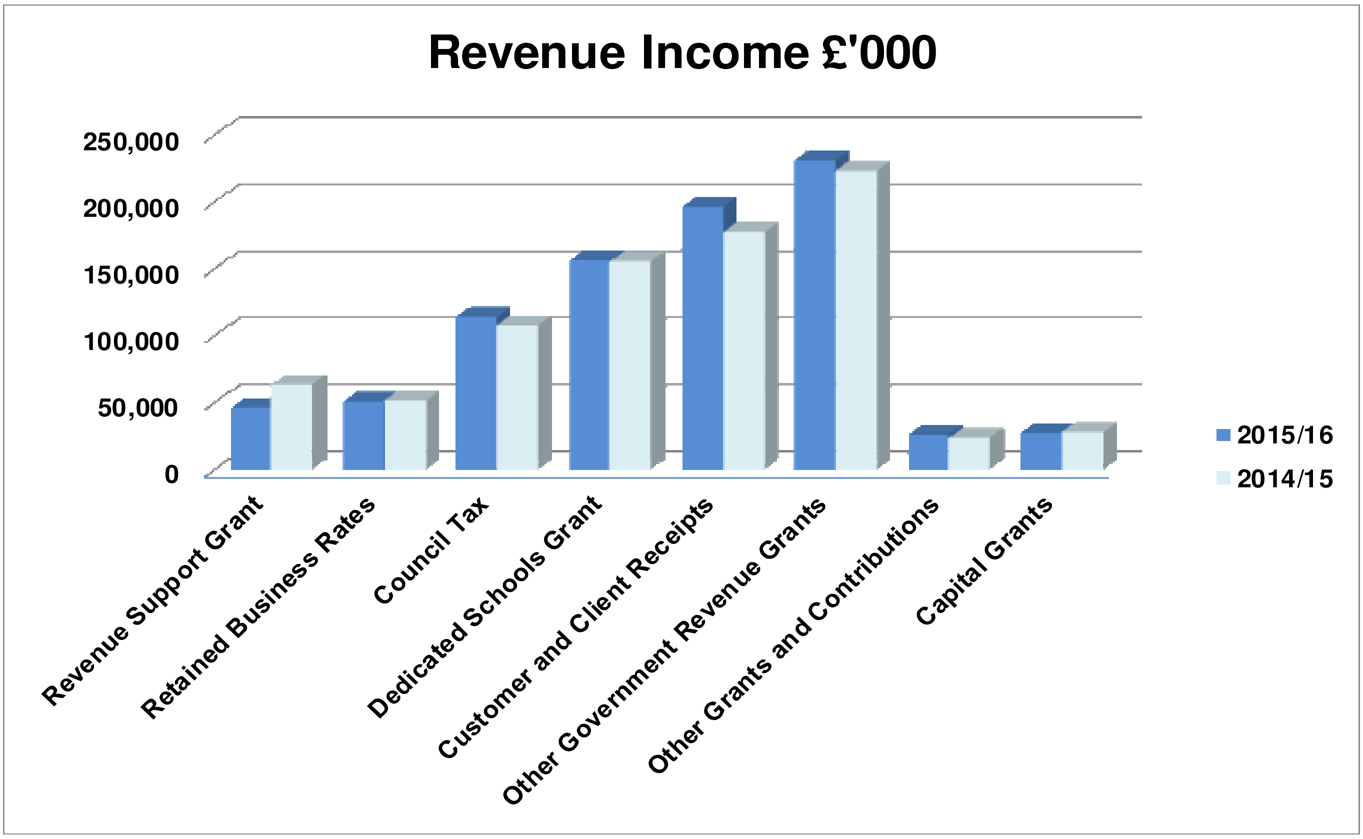
HRA Outturn			
	Revised Budget	Actual	Variance
	£'000	£'000	£'000
Expenditure	59,047	57,786	(1,261)
Income	(59,047)	(59,871)	(824)
HRA Outturn	**0**	**(2,085)**	**(2,085)**
Contribution from the HRA balance to fund capital investment			1,100
Decrease in year on the HRA			**(985)**

The council reported further details on its spending on General Fund and HRA services to the June 2016 Policy, Resources & Growth Committee; these can be found on the council's website.

Further details on the council's operating segments can be found in the operating segments note on pages 30 to 33.

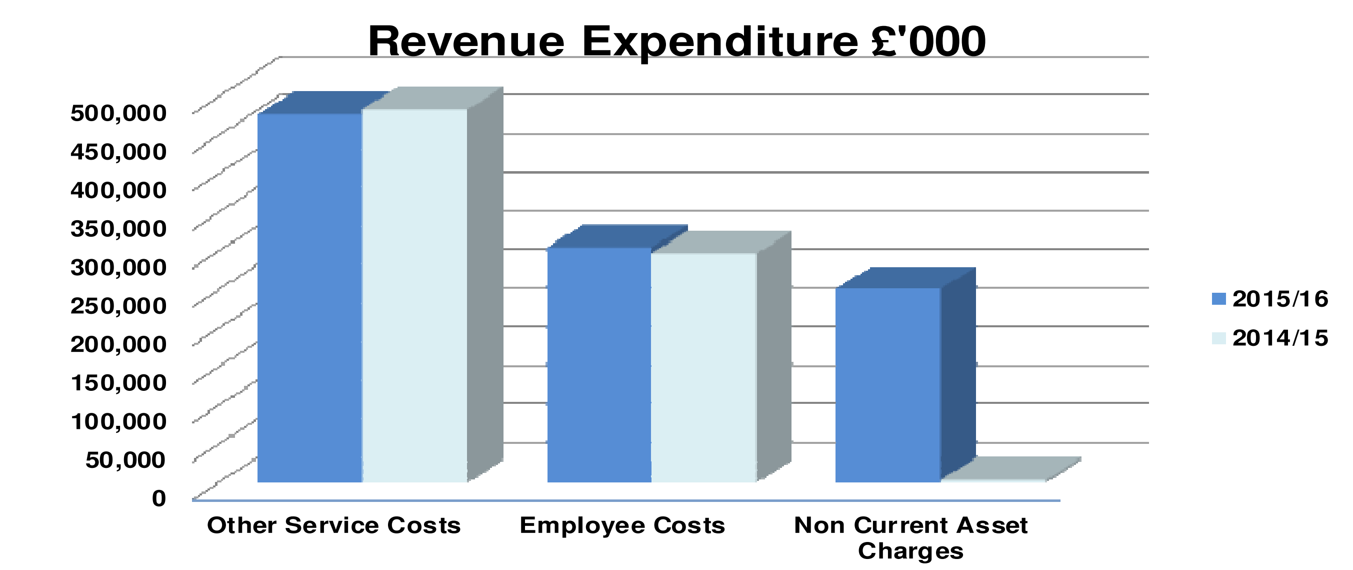
Revenue Income and Expenditure

In 2015/16 the council received revenue income of £847.323m; this was £17.287m higher than that received in 2014/15. The following chart shows the revenue income over the two financial years:



Detail on the government grants and other grants and contributions received by the council in 2015/16 can be found in note 15. Further details on the council tax and business rates income can be found in the Collection Fund section on pages 13 to 14.

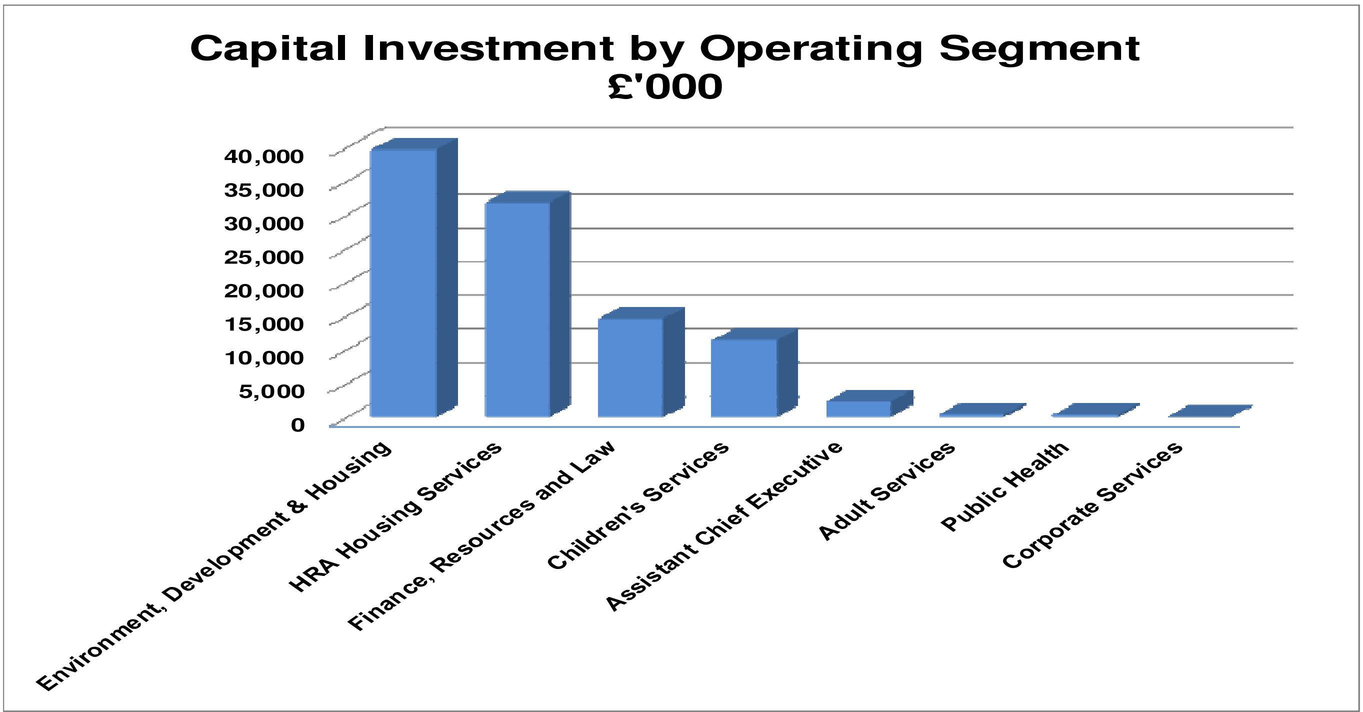
In 2015/16 the cost of services was £1,032.547m which was £248.231m higher than that in 2014/15; this is mainly due to revaluation losses on the council's non current assets. Further details are included in the non current assets section on pages 10 and 11. The following chart shows the revenue expenditure over the two financial years:



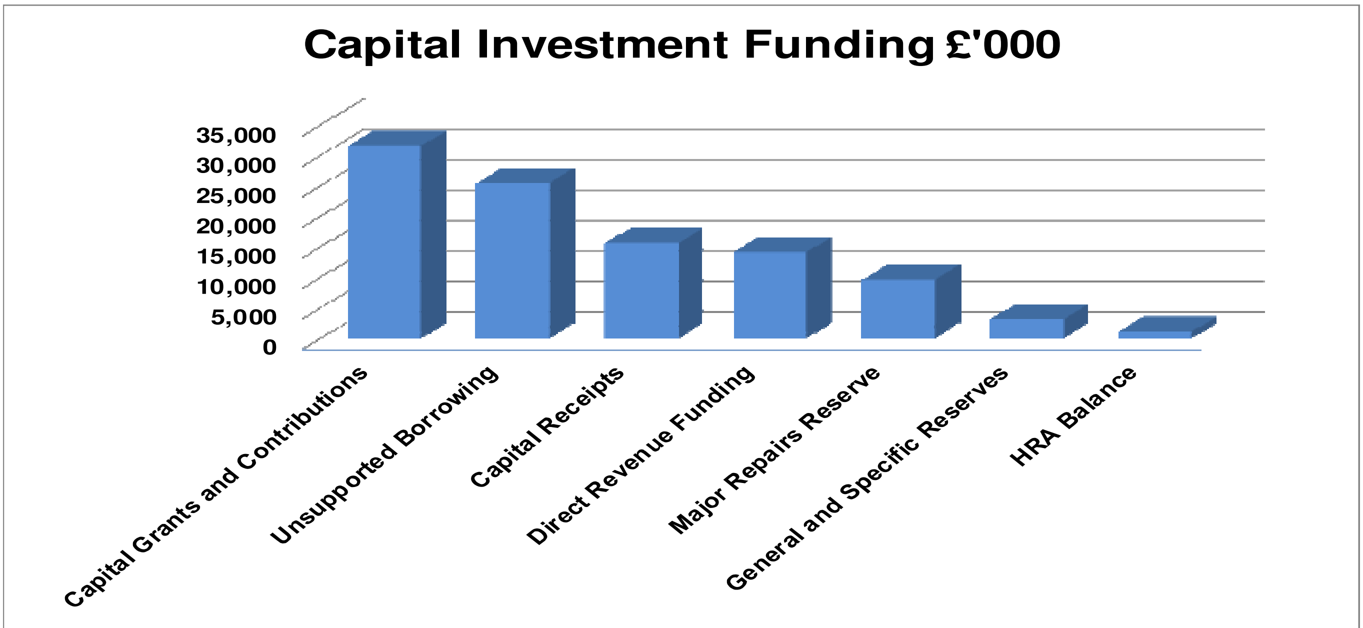
Capital Outturn

In 2015/16, the council delivered a significant capital investment programme of approximately £101m in partnership with a wide range of external bodies, developing successful bids for funding from central government and other external bodies, as well as the prudent use of borrowing and capital receipts.

During the financial year, the council made adjustments to its budgeted capital investment programme including reprofiling of investment for slippage of capital schemes carried forward to 2016/17. No current or future resources were lost as a result of capital investment programme reprofiling and slippage. Overall expenditure in year was £20m lower than the profiled capital budget; the budgeted resources in respect of this underspend have been reallocated to 2016/17. The council's level of capital investment has increased by £25.988m from 2014/15; the higher spending in 2015/16 related mainly to capital investment on housing, workstyles modernisation and regeneration projects. The following chart shows the council's service specific capital investment analysed over the operating segments:



The council's 2015/16 capital investment programme was funded from various internal and external sources; details of this funding are shown in the following chart:



The council reported further details on its overall expenditure and financing of the capital investment programme to the June 2016 Policy, Resources & Growth Committee; these can be found on the council's website. Further information on the council's contractual commitments for capital investments that existed as at 31 March are included in note 9.

Balance Sheet

The council has a healthy Balance Sheet; as at 31 March 2016 the council held long term assets of £1.917bn, current assets (including cash and investments) of £123m, current liabilities of £82m and long term liabilities of £586m (including net pensions liabilities of £270m). Furthermore, the council held usable reserves of £78m at 31 March 2016.

Reserves

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

Determining the appropriate levels of working balance requires the council to make a professional judgement based on local circumstances including the overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, levels of other earmarked reserves and provisions, and the council's track record in financial management. The consequences of not keeping a minimum prudent level of balances can be serious. In the event of a major problem or a series of events, the council would run a serious risk of a deficit or of being forced to cut spending during the year in an unplanned and potentially damaging way. The council has based its estimate of a prudent level of General Fund working balance on the robustness of estimates information and the corporate risk register. In addition, the council takes into account other strategic, operational and financial risks including:

- The complexity and degree of uncertainty associated with planned economy and efficiency measures and / or service changes and the likelihood of achieving them in full;
- The level of balances required to complement resources potentially available under the Bellwin Scheme for Emergency Financial Assistance to Local Authorities in the event of a major emergency;
- Risks of rising demand, increasing costs and / or falling income due to economic conditions or potential legislative changes;
- The risk of major legal challenges, both current and in the future;
- Risks in the financial inter relationship between NHS partners and the council;
- The need to retain a general contingency to provide against unforeseen circumstances that may arise. For example, delays in council tax billing which could arise from a major systems or power failure;
- The need to retain reserves for general day to day cash flow needs.

In addition, the cash flow risk for unitary authorities is significant given the full range of services provided. Taking all of these factors into account, the council considers that a £9m working balance (excluding school balances) is appropriate, which represents about 4 weeks of council tax revenue.

The reserves held by the council reflects Full Council's decisions in setting the annual budget and the council's Chief Finance Officer's assessment of the adequacy of reserves and balance under section 25 of the Local Government Act 2003.

Schools' balances, whilst consolidated into the council's accounts, are a matter for School Governing Bodies. Nevertheless, under the council's Scheme for Financing Schools it has a duty to scrutinise the appropriateness of school balances. The council's Scheme for Financing Schools is in line with the requirements of the Secretary of State for Education and the arrangements in place are considered adequate. The level of school balances the council held at 31 March 2016 was £4.367m. The council may license budget deficits up to a maximum of 40% of the collective school balances.

The current minimum level of working balance for the HRA the council deems appropriate is set at £3m; this represents 5% of gross HRA expenditure.

The underspends in 2015/16 for both the General Fund and HRA have been consolidated into the council's working balances. As at 31 March 2016, the General Fund working balance was £12.728m and the HRA working balance was £6.214m.

The council also holds earmarked reserves for both the General Fund and HRA. The General Fund earmarked reserves as at 31 March 2016 were £38.876m, a decrease of £5.945m. The HRA earmarked reserves as at 31 March 2016 were £2.338m, an increase of £0.419m. Further information on the specific earmarked reserves held is provided in note 8.

Non Current Assets

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

Non current assets have been measured and accounted for in accordance with IFRS 13 *Fair Value Measurement* following the adoption of this accounting standard in 2015/16 by the council.

The council's surplus assets and investment properties are valued at fair value and are measured at their highest and best use. Note 9 sets out the valuation techniques used for each non current asset held at fair value. All other property, plant and equipment assets, apart from infrastructure, community assets and assets under construction, are carried at current value which is determined using different bases depending on the categorisation of the asset; the council's accounting polices detail the bases used. Infrastructure, community assets and assets under construction are measured at depreciated historical cost. Assets held for sale are measured at the lower of the revalued amount following reclassification to this asset class and fair value less costs to sell. Intangible assets are measured at cost and heritage assets are typically held at insurance valuation. The carrying value of the non current assets has been disclosed in note 9.

The value of the council's non current assets (including current assets held for sale) has decreased in the financial year by £414.548m, from the level reported in 2014/15 to £1,878.062m in 2015/16.

The council made a capital investment on these assets of £73.201m and disposed of assets to the value of £12.152m during the financial year.

During 2015/16, Savills UK Ltd, undertook a valuation of the council's housing stock as at 1 April 2016 which showed an increase in the value of council dwellings resulting in a reversal of the previous financial year's revaluation losses of £79.591m; this has been reflected in the HRA Income and Expenditure Statement.

During 2015/16, the council employed external valuers, Montagu Evans to value its significant land and buildings assets under depreciated replacement cost (DRC) as at 31 March 2016. This led to an alternate approach to the valuations and has given rise to a significant net decrease in the respective valuations of £437.305m. The approach used by Montagu Evans is in line with the 'instant build' approach for assets valued under the DRC methodology as defined by CIPFA's Code of Practice. £216.494m of this decrease has been charged to the Comprehensive Income and Expenditure Statement (CIES) as a revaluation loss with the remainder of £220.811m being offset in the revaluation reserve against previous revaluation gains.

The council has also revalued other assets during the financial year which has had the effect of £53.363m revaluation gains being recognised in the revaluation reserve, £117.792m revaluation losses of which £74.900m was charged to the revaluation reserve and £42.892m charged to the CIES and £1.485m to reverse previous revaluation and impairment losses which was charged to the CIES. Details of significant revaluation losses have been included in note 9.

The council has also recognised impairment losses of £10.736m of which £0.297m was charged to the revaluation reserve and £10.439m charged to the CIES; details of the significant impairment losses are included in note 9.

The annual valuation of investment property led to these assets being revalued upwards by £2.005m.

The council has also depreciated its non current assets by £45.054m during the financial year.

Further information on the non current assets held by the council is included in note 9.

Financial Instruments

Financial instruments have been accounted for in accordance with IFRS 13 *Fair Value Measurement* following the adoption of this accounting standard in 2015/16 by the council.

The council's available for sale financial assets are held at fair value, using Level 1 inputs. The financial assets measured at fair value table in note 11 sets out the valuation techniques used for each financial asset held at fair value. All other financial assets and liabilities are carried at amortised cost. The fair value of these financial instruments has been disclosed in note 11.

<u>Borrowings</u>

At 31 March 2016, the council's level of borrowing was £247.070m (including the bank overdraft). In accordance with the CIPFA Code of Practice on Treasury Management the council has based its management of the borrowing portfolio on a consolidated approach and not by individual services.

The council's Treasury Management Policy Statement (TMPS) for 2015/16 was approved by Policy & Resources committee in March 2015. The TMPS includes treasury management practices which identify the procedures that the council follows 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 council's 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 could 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, also placing pressures on the revenue budget in the long term. The council's TMPS sets out measures to reduce this risk through a series of forward deals, variable rate borrowing and short term borrowing. The level of borrowing (including the bank overdraft) has increased during the financial year by £27.734m, which includes a net increase of £20.037m to facilitate the construction of the i360. The following table shows the council's level of borrowing as at 31 March:

Level of Borrowing		
	31 March 2015	31 March 2016
	£'000	£'000
Short term borrowing	(11,448)	(8,502)
Bank overdraft	(1,732)	(839)
Long term borrowing	(206,156)	(237,729)
Total borrowing	**(219,336)**	**(247,070)**
(Increase) / Decrease year on year	**(3,822)**	**(27,734)**

The council has raised new loans of £35.573m and repaid £7.188m during the financial year in respect of borrowings. Further information on borrowings is provided in note 11.

Investments

At 31 March 2016 the council held investments of £79.837m. Investments are made by the council's treasury management team and its external cash manager. The council uses an external cash manager to take advantage of investment opportunities in specialist markets, such as government stock.

The council's Annual Investment Strategy (AIS) for 2015/16 was approved by Full Council in March 2015. 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 council uses independent credit rating agencies. Rating criteria is only one factor taken into account by the council 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 the council's investments has increased during the financial year by £9.859m. The following table shows the level of investments made as at 31 March:

Level of Investments		
	31 March 2015	**31 March 2016**
	£'000	**£'000**
Short term investments	43,029	58,788
Cash equivalents	26,924	20,999
Long term investments	25	50
Total investments	**69,978**	**79,837**
Increase / (Decrease) year on year	**(7,854)**	**9,859**

During the financial year, the council placed new short term investments of £531.906m, of which £456.206m relates to cash equivalents and the council has realised cash from the maturity of short term investments of £522.342m of which £469.642m relates to cash equivalents. Further information on investments is provided in note 11.

The council has a £0.050m long term equity investment in the UK Municipal Bonds Agency plc through the purchase of a shareholding in the company; this agency seeks to raise capital funding for local authorities at preferential rates.

Pensions Liability

The council participates in the Local Government Pension Scheme (LGPS). East Sussex County Council acts as the scheme administrator of the East Sussex Pension Fund and is responsible for the management and administration of the Fund in line with the Local Government Pension Scheme Regulations. The scheme is a funded defined benefit scheme, meaning that the council and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets. Hymans Robertson LLP, an independent firm of actuaries, assesses the position of the East Sussex Pension Fund.

The council's net liability for future pension payments, as estimated by the pension actuary, Hyman Robertson LLP, has decreased from £362.522m at 31 March 2015 to £270.279m at 31 March 2016, a decrease of £92.243m.

The overall deficit on the pension fund of £270.279m represents the difference between the value of pension fund assets as at 31 March 2016 and the estimated present value of the future pension payments (ie liabilities) committed at that date. The value of pension fund assets has increased by £16.730m from the level reported as at 31 March 2015 to £816.852m as at 31 March 2016. The value of future pension payments liabilities has decreased by £75.513m from the level reported at 31 March 2015 to £1,087.131m as at 31 March 2016.

The liabilities reflect the council's long term underlying commitments to pay post employment benefits. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding the liabilities.

The application of actuarial assumptions and other experience adjustments in relation to the pension liabilities has resulted in the pension liabilities decreasing by £127.654m of which £113.596m relates to financial assumptions and £14.058m relates to other experience adjustments as detailed in the assumptions table in note 24. Effectively, the financial assumptions made by the actuary at 31 March 2016 are more favourable than those made at 31 March 2015. Specifically the discount rate used in the actuarial calculations has increased during the financial year. Pension Scheme benefits are linked to price and salary inflation, therefore within the actuary's calculations, the real discount rate (ie net of price inflation) is compared from year to year when assessing the effect of changes in financial assumptions. The discount rate is set by reference to long term yields. The discount rate has increased from 3.2% to 3.5%. A higher real discount rate leads to a lower value being placed on the liabilities.

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

Further information on pension costs is provided in notes 23 and 24.

Collection Fund

The Collection Fund reflects the council's statutory obligation, as a billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and business rates (ie non domestic rates) in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and 2012).

Non Domestic Rates (NDR)

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

In 2015/16, the council received £105.912m non domestic rates income of which £52.380m was retained by the council. The council also received a top up grant of £1.642m from central government; this grant is paid to the council as its share of locally retained NDR is less than its baseline funding level set by central government.

The level of NDR income on each business property depends on its 'rateable value' as calculated by the Valuation Office Agency (VOA). Where local businesses believe the current value for business properties is wrong they can appeal. Where rating appeals are successful, the settlement of the appeal is funded by the council. The council has estimated the impact of outstanding appeals as at 31 March 2016 and has included a provision of £2.127m to cover its share. Further details on the judgement the council has made in calculating the provision are provided in note 3.

The council has also included a short term creditor of £1.126m in respect of the amount of non domestic rates the council owes to central government and the East Sussex Fire Authority for their share of the in year surplus, the business rates appeal provision, prepayments and the impairment allowance for doubtful debts less their share of non domestic rates arrears.

Council Tax

Council tax income derives from charges raised according to the value of residential properties. In 2015/16, the council collected council tax income of £134.000m (after reductions made under the localised scheme). The amount included in the council's CIES was £113.966m (including £0.043m re Rottingdean Parish precept), being its share (approximately 85%)of the council tax income; the remaining income was collected on behalf of the preceptors, Sussex Police & Crime Commissioner and East Sussex Fire Authority.

Collection Fund Movement

The in year movement on council tax was £2.036m which arose from distributing the previous year's forecast surplus of £0.229m (between the council, Sussex Police & Crime Commissioner and East Sussex Fire Authority) and receiving additional income of £1.807m which mainly related to lower than anticipated entitlements to council tax reduction and single person discounts.

The in year movement on non domestic rates was £10.704m which mainly related to the distribution of the previous year's forecast surplus of £7.319m between the council, central government, Sussex Police & Crime Commissioner and East Sussex Fire Authority.

Better Care Fund

The Better Care Fund (BCF) was announced by the Government in the June 2013 spending round, to ensure a transformation in integrated health and social care. It provides an opportunity to transform local services so that people are provided with better integrated care and support and encompasses a substantial level of funding (£5.3bn) to help local areas manage pressures and take the integration agenda forward at scale and pace. This includes the further £1.5bn of Better Care resources which was announced in the four year Comprehensive Spending Review to 2019/20 for which the indicative allocations to this council are £3.2m in 2018/19 and £6.2m in 2019/20.

The BCF creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems. It will provide an opportunity to improve services to some of the city's most vulnerable residents, placing them and their carers at the centre of their own care and provide an opportunity for expansion of care in community settings.

It is a requirement of the Better Care Fund that the council and the Brighton and Hove Clinical Commissioning Group (CCG) establish a pool fund for this purpose and are required to produce a Better Care Fund plan in line with the national guidance; this can be found on the council's website. The 2015/16 pooled budget for the Brighton and Hove Better Care Fund was £20.085m. Further information on the BCF is provided in notes 3 and 28.

Review of Minimum Revenue Provision Policy

The council is required to make a minimum revenue provision (MRP) towards the repayment of debt in each financial year. During 2015/16, an MRP review was undertaken by the council which resulted in a revision to the 2015/16 MRP policy which was approved at Budget Council on 25 February 2016. The change in policy resulted in a change in the council's estimation technique for the provision against the "supported borrowing" element of the capital financing requirement. The impact in the 2015/16 financial statements was a minimum revenue provision of £13.246m charged to the CIES under the revised policy as opposed to £15.573m that would have been charged under the original policy. Further information on MRP is provided in note 10.

Acquired Operation

The public health commissioning responsibilities for children aged 0-5 years transferred from NHS England to local authorities on 1 October 2015; this marked the final part of the overall public health transfer which saw wider public health functions successfully transfer to local government on 1 April 2013. In 2015/16, the council received a grant of £2.111m from NHS England in respect of these transferred responsibilities which is reflected within the public health cost of service within the CIES.

Performance Indicators

The council's Executive Leadership Team (ELT) has developed and agreed a set of Corporate Key Performance Indicators (KPIs) which are mapped to the Corporate Plan in order to demonstrate delivery of the Corporate Plan outcomes. Using this KPI set the council can track performance outcomes and drive corrective actions. Performance reports are reviewed by ELT quarterly; accountable directors discuss corrective actions and ELT prioritises options. Members review performance at Policy, Resources & Growth (PR&G) Committee twice a year. The full set of Corporate KPIs and relevant linkages are shown in appendix 3 on pages 113 to 120.

Each KPI is reported with a detailed narrative provided by officers responsible for delivery which covers:

- Position – what's happening with the data?;
- Commentary – how does this relate to the service?;
- Actions – next steps to maintain or improve performance.

The council's Performance Management Framework (see diagram below) embeds risk and performance indicators enabling all performance to be addressed collectively. Where performance is a cause for concern members and ELT can request additional exception reporting and incorporate the concern in the risk register if needed.

Year on year performance improvement is driven by a rigorous target setting process. Corporate KPIs and indicators required for Directorate Management Teams have performance targets using the following criteria:

- Using the latest available benchmarking data (eg statistical neighbour data, national data) or any statutory / contractual target, whichever is more challenging. Officers must explain why a particular set of benchmarking data have been selected;
- Where no benchmarking or statutory / contractual data is available, a sound rationale needs to be explained for a target figure (eg improvement from the current performance);
- Where performance is already better than benchmarking / comparable data, an improvement target is set to drive continuous improvement;
- In exceptional circumstances, where resources are reducing or being reallocated, or there are significant external factors which will impact on performance, a maintenance or reduction target can be set. This has to be clearly evidenced and agreed by ELT;
- Revisions to targets set for any reason requires ELT approval.

Progress against target is flagged in reports using a 'red, amber, green' traffic light system. Year end performance for 2015/16 is due to be reported to Members at PR&G Committee in July 2016.

BHCC Performance Management Framework

The Framework consists of the following eight elements:

The framework is supported by information and intelligence collated by the performance improvement and programmes service, the public health team, the policy team and other services who between them are the custodians of a wealth of research information that is collected covering social, health, economic, crime and environmental issues. The council uses the information to assist in understanding the community it serves and the impacts it is making.

Direction of Travel and Strategic Approach

In the longer term, the council's approach will be to transform how it, as a local authority, operates to improve outcomes and reduce overall costs. It will lead partners in efforts to help people into employment as a route to improved health, family stability and reduced need for social care and welfare benefits. The council will also need to become financially more self sufficient through economic growth, increased community involvement and increased social action.

The Government has previously announced that funding for local government will be reduced by approximately 10% per annum on average and this reduction has been built into the council's MTFS forecasts for 2016/17 to 2019/20 based on information in the four year Comprehensive Spending Review.

Since 2012/13 the council has delivered around £76m of savings, including £20m savings in the current financial year, 2015/16. The council's 2016/17 approved budget also includes savings of around £20m and current predictions are that the council will have to identify total savings of approximately £68m by 2020. However, there are many factors that may change the level of predicted resources including a revaluation of business rates in 2017, government proposals to move toward 100% business rate retention by 2020, the government's intentions regarding the New Homes Bonus, and the take up of the adult social care precept each year. However, the direction of travel for local government finance continues to be for local authorities to aim to be self sustaining amid an overall national context of reductions in public sector spending.

The council will continue to lobby government to take into account a number of issues that are key to the financial resilience of the council. In addition, the council needs to continue to plan for a resilient and buoyant tax base in order to protect vital public services in the city.

Although the financial position will be challenging over the next few years, the council's General Fund budget will still provide substantial revenue funding with gross spending on services remaining well in excess of £300m per year throughout the period of the MTFS. The focus of the Corporate Plan and MTFS is therefore on prioritising the use of these significant resources to deliver value for money public services and achieve good outcomes for the city, increasingly in partnership with a range of other providers and across all sectors. The revenue budget will therefore be invested in line with 'Our Principles' as set out in the Corporate Plan with the aim of increasing equality and improving engagement.

The council sets out a summary of how resources will be invested to support the priorities in the Sustainable Community Strategy (Brighton & Hove – The Connected City) and the Corporate Plan in its MTFS which can be found on the council's website.

There is some added clarity in 2016/17 following the Comprehensive Spending Review; however, there remain significant areas of uncertainty over the medium term as mentioned above. In general, factors that can have a material effect on the financial position of the council include:

- The lack of certainty in future resource levels and future funding distribution models;
- Changes in function and funding;
- Changes in how some services are funded;
- Changes in the economy including the impact on business rates income;
- Changes in employer costs (eg pension or national insurance changes);
- The level of future successful appeals against the business rating list;
- Impact of levels of house building on both council tax and new homes bonus;
- Achievement of performance targets for performance related funding;
- Climate change and weather impacts;
- Ability to manage identified service pressures;
- Decisions on council tax and council tax reduction;
- Democratic support for change including partnership working and integration.

Risks to the council's MTFS arise from both external and internal factors. External risks include, for example, government policy decisions that can have an adverse impact on the council. External risks are generally the most difficult to manage and plan for. Internal risks can also arise for a number of reasons, such as cost overruns, changing priorities or poor systems for demand management. It is therefore vital to have adequate mechanisms to manage all risks if financial stability is to be achieved.

The council's four year Integrated Service and Financial plans and associated MTFS aim to minimise the impact of some of the major financial risks and the impact on the delivery of the city's Corporate Plan commitments.

Service and Financial Planning

Previously the council has not planned, in budgetary terms, over the longer term, electing instead to plan on a 12 month horizon including budget savings proposals and changes to fees and charges. This approach has drawn significantly on the use of one off resources and reserves to ensure that the budget balanced and that lead in times (part year effect savings) could be accommodated. Moreover, this approach has inhibited the propensity for services to redesign on a long term sustainable footing that fully takes into account the prospect of a reduction in the council's resources, rising demographic pressures and changing customer expectations. The preference is to use available one off resources to invest in and support change and modernisation that enables savings and cost reduction to be delivered earlier.

From 2016/17 the council has moved to a four year service and financial planning approach for setting its budget; this approach has been anchored in services to ensure that the savings proposals and ideas are specific, deliverable, and consistent with service strategies and business plans, and also reflect management accountabilities. However, common themes and threads that are cross cutting for both the council and also public service providers across the city have also been identified and considered in the development of 2016/17 budget proposals. Cross cutting themes identified to date include:

- Demand management;
- Devolution and city governance;
- Management spans and accountability reviews;
- Income generating and self financing approaches;
- The 'Customer First in a Digital Age' programme for digital services and mobile working;
- Integrated health and social care services and funding (Better Care);
- Modernisation and 'enabling' programmes;
- Homelessness, public health and mental health intervention;
- Consolidation of prevention work;
- The potential shared service delivery of support functions.

Housing and Planning Bill 2015/16

The current HRA medium term financial plan and 30 year projections provide a balanced HRA Business Plan, however impending government legislation included in the Housing and Planning Bill 2015/16 may significantly impact on the long term health of the plan.

The Housing and Planning Bill 2015/16 proposals include a requirement for local housing authorities to pay the Government a sum in line with the anticipated receipt from the sale of high value council housing. The council will be able to retain some of the sale funds to support new house building locally to increase the overall housing numbers in the city. The legislation allows for the payment to be calculated using a formula, providing local authorities with flexibility to choose to retain an individual high value property, while making the payment from other sources. The details of the formula are not yet available and will be issued to local authorities through a government determination following Royal Assent of the Bill, expected during 2016. The HRA Medium Term Financial Plan and 30 year forecast will be further updated in 2016 following the receipt of this determination.

Explanation of the Financial Statements

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

The financial statements are presented on an International Financial Reporting Standards (IFRS) basis and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2015 to 31 March 2016.

The council is required to present a complete set of financial statements (including comparative information).The financial statements are set out on pages 25 to 107 and are presented as follows:

Movement in Reserves Statement (MiRS)

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

Movement on the Housing Revenue Account Statement

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

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets (assets less liabilities) are matched by the reserves held. Movement in these reserves is reported in the MiRS.

Comprehensive Income and Expenditure Statement (CIES)

The CIES shows the accounting cost in the financial 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 MiRS.

Housing Revenue Account Income and Expenditure Statement

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

Cash Flow Statement

The Cash Flow Statement shows the changes in the council's cash and cash equivalents during the financial year. The statement shows how the council 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 council's operations are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing).

Collection Fund

The Collection Fund Statement shows the transactions of the council, as a billing authority, in relation to the collection from taxpayers and ratepayers and distribution to local precepting authorities and the Government (non domestic rates only) of council tax and non domestic rates.

Notes to the Financial Statements

The notes to the financial statements comprise explanatory information.

The financial statements also include a Statement of Responsibilities which sets out the council's and its chief finance officer's responsibilities in respect of the financial statements.

The council 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 council has abbreviated £million as the symbol 'm' and £billion as the symbol 'bn'.

Looking Ahead to the 2016/17 Accounts

The 2016/17 Code adopts the new measurement requirements for the Highways Network Asset based on the methodologies in the CIPFA Code of Practice on Transport Infrastructure Assets.

The Highways Network Asset is a network and grouping of interconnected, inalienable components and includes carriageways, footways and cycle tracks, structure, street lighting, street furniture, traffic management systems and land. The Highways Network Asset will be recognised as a separate class of Property, Plant and Equipment and will be measured at depreciated replacement cost.

This will represent a change in accounting policy from 1 April 2016 and will be accounted for retrospectively; the change will be accounted for as an adjustment to opening balances as at 1 April 2016.

The change will require a disaggregation of those transport infrastructure assets which the council classes currently as infrastructure assets.

Based on current estimates the Highways Network Asset will be valued at £2.733bn including a transfer of £78m of infrastructure assets currently classified as property plant and equipment. This will increase the value of the council's long term assets held on the Balance Sheet by approximately £2.655bn with a similar increase in the value of the council's unusable reserves.

Further Information

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

David Kuenssberg CPFA
Executive Director Finance & Resources (Section 151 Officer)

Statement of Responsibilities

The Council's Responsibilities

The council 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 council that officer is the Executive Director Finance & Resources;

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

(iii) approve the Statement of Accounts.

The Executive Director Finance & Resources Responsibilities

The Executive Director Finance & Resources is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA[1] Code of Practice on Local Authority Accounting in the United Kingdom. The Executive Director Finance & Resources is required to sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the council at the Balance Sheet date and its income and expenditure for the financial year.

In preparing this Statement of Accounts the Executive Director Finance & Resources has:

(i) selected suitable accounting policies and then applied them consistently;

(ii) made judgements and estimates that were reasonable and prudent;

(iii) complied with the local authority Code.

The Executive Director Finance & Resources has also:

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

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2016 and its income and expenditure for the financial year ended 31 March 2016.

DAVID KUENSSBERG

David Kuenssberg CPFA
Executive Director Finance & Resources (Section 151 Officer)
27 September 2016

[1] Chartered Institute of Public Finance and Accountancy

Certification by Chair

I confirm that this Statement of Accounts was approved by the Audit & Standards Committee at a meeting held on 27 September 2016.

Signed on behalf of Brighton & Hove City Council

ANN. M. NORMAN

Councillor A Norman
Chair
Audit & Standards Committee

Date 27 September 2016

Brighton & Hove City Council

Financial Statements 2015/16

Financial Statements Contents

Movement in Reserves Statement (MiRS)

Movement in Reserves Statement									
	Balance as at 1 April 2015	(Surplus) / Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Total Comprehensive Income and Expenditure	Adjustments between Accounting Basis and Funding Basis under Regulations	Net (Increase) / Decrease before Transfers to Earmarked Reserves	Transfers between Earmarked Reserves and Other Reserves	(Increase) / Decrease in Year	Balance as at 31 March 2016
2015/16	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
USABLE RESERVES									
General fund balance	**(10,467)**	288,616	0	**288,616**	(287,709)	**907**	(3,168)	**(2,261)**	**(12,728)**
Earmarked general fund reserves	**(44,821)**	0	0	**0**	0	**0**	5,945	**5,945**	**(38,876)**
HRA balance	**(5,229)**	(103,392)	0	**(103,392)**	102,303	**(1,089)**	104	**(985)**	**(6,214)**
Earmarked HRA reserves	**(1,919)**	0	0	**0**	0	**0**	(419)	**(419)**	**(2,338)**
Capital receipts reserve	**(11,562)**	0	0	**0**	(3,360)	**(3,360)**	653	**(2,707)**	**(14,269)**
Major repairs reserve	**0**	0	0	**0**	48	**48**	0	**48**	**48**
Capital grants unapplied	**(1,761)**	0	0	**0**	(1,824)	**(1,824)**	26	**(1,798)**	**(3,559)**
Total Usable Reserves	**(75,759)**	**185,224**	**0**	**185,224**	**(190,542)**	**(5,318)**	**3,141**	**(2,177)**	**(77,936)**
UNUSABLE RESERVES									
Unusable reserves held for revenue purposes									
Collection fund adjustment account	**(4,027)**	0	0	**0**	3,506	**3,506**	0	**3,506**	**(521)**
Financial instruments adjustment account	**960**	0	0	**0**	21	**21**	0	**21**	**981**
Available for sale financial instruments reserve	**(1)**	0	2	**2**	0	**2**	0	**2**	**1**
Pensions reserve	**362,522**	0	(114,577)	**(114,577)**	22,334	**(92,243)**	0	**(92,243)**	**270,279**
Accumulated absences account	**3,850**	0	0	**0**	(828)	**(828)**	0	**(828)**	**3,022**
Total Unusable Reserves Held for Revenue Purposes	**363,304**	**0**	**(114,575)**	**(114,575)**	**25,033**	**(89,542)**	0	**(89,542)**	**273,762**
Unusable reserves held for capital purposes									
Revaluation reserve	**(678,815)**	0	242,645	**242,645**	4,842	**247,487**	0	**247,487**	**(431,328)**
Capital adjustment account	**(1,289,703)**	0	0	**0**	161,799	**161,799**	(3,141)	**158,658**	**(1,131,045)**
Deferred capital receipts reserve	**(6,251)**	0	0	**0**	22	**22**	0	**22**	**(6,229)**
Total Unusable Reserves Held for Capital Purposes	**(1,974,769)**	**0**	**242,645**	**242,645**	**166,663**	**409,308**	**(3,141)**	**406,167**	**(1,568,602)**
Total Unusable Reserves	**(1,611,465)**	**0**	**128,070**	**128,070**	**191,696**	**319,766**	**(3,141)**	**316,625**	**(1,294,840)**
Total Reserves	**(1,687,224)**	**185,224**	**128,070**	**313,294**	**1,154**	**314,448**	**0**	**314,448**	**(1,372,776)**

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

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

Movement on the Housing Revenue Account Statement

Movement on the Housing Revenue Account Statement		
2014/15		2015/16
£'000		£'000
(5,486)	**Balance on the HRA as at 1 April**	**(5,229)**
(69,297)	(Surplus) / deficit on the HRA Income and Expenditure Statement	(103,392)
(69,297)	**Total comprehensive income and expenditure**	**(103,392)**
Adjustments between accounting basis and funding basis under regulations		
(740)	Charges for impairment of non current assets	(241)
50,840	Reversal of previous revaluation losses / impairment losses on non current assets	79,592
120	Capital grants and contributions applied	1,153
(2,567)	Amounts of non current assets written off on disposal / sale as part of the gain / loss on disposal to the HRA Income and Expenditure Statement	(6,627)
3,900	Voluntary provision for the financing of capital investment	4,300
500	Use of HRA balance for the financing of capital investment	1,100
13,390	Capital expenditure charged to the HRA balance	13,167
4,816	Transfer of sale proceeds credited as part of the gain / loss on non current asset disposals to the HRA Income and Expenditure Statement	10,932
(68)	Contribution from the capital receipts reserve towards administrative costs of non current asset disposals	(98)
(1,620)	Reversal of items relating to retirement benefits debited / credited to the HRA Income and Expenditure Statement	(1,830)
895	Employer’s pensions contributions	910
(12)	Amount by which finance costs charged to the HRA Income and Expenditure Statement are different from the amount of finance costs chargeable in accordance with statutory requirements	(53)
(2)	Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(2)
69,452	**Total adjustments between accounting basis and funding basis under regulations**	**102,303**
155	**Net (increase) / decrease before transfers to / (from) earmarked reserves**	**(1,089)**
102	Transfers to / (from) earmarked reserves	104
257	**(Increase) / decrease in year**	**(985)**
(5,229)	**Balance on the HRA as at 31 March**	**(6,214)**

Balance Sheet

As at 31 March 2015 £'000	Note	Balance Sheet	As at 31 March 2016 £'000
Long Term Assets			
2,030,405	**9**	Property, plant and equipment	1,631,443
215,843	**9**	Heritage assets	197,767
43,992	**9**	Investment property	46,030
2,190	**9**	Long term intangible assets	2,652
25	**11**	Long term investments	50
17,125	**12**	Long term debtors	39,518
2,309,580		**Long Term Assets**	**1,917,460**
Current Assets			
43,029	**11**	Short term investments	58,788
785		Inventories	923
37,608	**12**	Short term debtors	41,875
26,924	**11**	Cash equivalents	20,999
180	**9**	Short term assets held for sale	170
359	**14**	Short term intangible assets	478
108,885		**Current Assets**	**123,233**
Current Liabilities			
(1,732)	**11**	Bank overdraft	(839)
(11,448)	**11**	Short term borrowing	(8,502)
(72,568)	**13**	Short term creditors	(69,047)
(4,231)	**14**	Short term provisions	(3,593)
(89,979)		**Current Liabilities**	**(81,981)**
Long Term Liabilities			
(3,937)	**14**	Long term provisions	(4,015)
(206,156)	**11**	Long term borrowing	(237,729)
(416,437)	**24, 17**	Other long term liabilities	(322,069)
(14,732)	**15**	Capital grant receipts in advance	(22,123)
(641,262)		**Long Term Liabilities**	**(585,936)**
1,687,224		**Net Assets**	**1,372,776**
(75,759)	**6, 8**	Usable reserves	(77,936)
(1,611,465)	**7**	Unusable reserves	(1,294,840)
(1,687,224)		**Total Reserves**	**(1,372,776)**

These financial statements replace the unaudited financial statements certified by the Executive Director Finance & Resources on 27 May 2016.

DAVID KUENSSBERG

David Kuenssberg CPFA
Executive Director Finance & Resources (Section 151 Officer)
27 September 2016

Comprehensive Income and Expenditure Statement (CIES)

Comprehensive Income and Expenditure Statement							
Year Ended 31 March 2015			Note		Year Ended 31 March 2016		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
16,133	(7,513)	**8,620**		Central services	24,989	(8,231)	**16,758**
36,794	(12,288)	**24,506**		Cultural and related services	36,340	(13,401)	**22,939**
36,496	(5,268)	**31,228**		Environmental & regulatory services	32,862	(4,721)	**28,141**
12,391	(5,807)	**6,584**		Planning services	12,352	(5,272)	**7,080**
266,072	(193,903)	**72,169**		Children's and education services	271,675	(193,725)	**77,950**
47,083	(29,743)	**17,340**		Highways and transport services	43,498	(31,290)	**12,208**
36,945	(58,738)	**(21,793)**		Housing services (HRA)	35,687	(59,664)	**(23,977)**
(50,840)	0	**(50,840)**	**4**	Exceptional item - revaluation gain reversing a previous revaluation loss (HRA)	(79,591)	0	**(79,591)**
0	0	**0**	**4**	Exceptional item - revaluation loss (GF)	253,747	0	**253,747**
210,591	(188,142)	**22,449**		Other housing services	206,069	(186,601)	**19,468**
114,955	(32,220)	**82,735**		Adult social care	117,857	(37,829)	**80,028**
18,903	(18,930)	**(27)**		Public health	23,507	(20,683)	**2,824**
4,620	0	**4,620**		Corporate and democratic core	4,714	0	**4,714**
98	0	**98**		Non distributed costs	1,316	0	**1,316**
750,241	**(552,552)**	**197,689**		**Cost of Services**	**985,022**	**(561,417)**	**423,605**
		Other operating expenditure					
		(4,955)		(Gain) / loss on the disposal of non current assets			**(7,944)**
		209		Precepts and levies			**211**
		1,097		Payments to the government housing capital receipts pool			**1,264**
		1,641		Non current asset charges on assets leased to academy schools			**6,366**
		(2,008)		**Total Other Operating Expenditure**			**(103)**
		Financing and investment income and expenditure					
		16,817		Interest payable			**17,545**
		11,535		Net interest on the net defined benefit pension liability			**11,769**
		(1,306)		Interest receivable			**(2,648)**
		(3,078)		Income and expenditure in relation to investment properties			**(2,818)**
		(923)		Changes in the fair value of investment properties			**(2,005)**
		23,045		**Total Financing and Investment Income and Expenditure**			**21,843**
		Taxation and non specific grant income and expenditure					
		(107,648)		Council tax income (including share of council tax surplus / deficit)			**(113,966)**
		106		Share of non domestic rates (surplus) / deficit			**1,659**
		(51,581)		Locally retained element of non domestic rates income			**(52,380)**
		(81,942)		Non ring fenced government grants			**(64,998)**
		(23,381)		Capital grants and contributions			**(30,436)**
		(264,446)		**Total Taxation and Non Specific Grant Income and Expenditure**			**(260,121)**
		(45,720)		**(Surplus) / Deficit on the Provision of Services**			**185,224**

Year Ended 31 March 2015 Net Expenditure £'000	Note		Year Ended 31 March 2016 Net Expenditure £'000
Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services			
(87,349)	**9**	(Surplus) / deficit on revaluation of non current assets	**242,645**
80,747	**24**	Remeasurements of the net defined benefit liability	**(114,577)**
(6,602)		**Total Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services**	**128,068**
Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services			
5	**7, 11**	(Surplus) / deficit on revaluation of available for sale financial assets	**2**
5		**Total Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services**	**2**
(6,597)		**Other Comprehensive Income and Expenditure**	**128,070**
(52,317)		**Total Comprehensive Income and Expenditure**	**313,294**

Operating Segments Note

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

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

The analysis of income and expenditure on the face of the CIES is specified by CIPFA's *Service Reporting Code of Practice (SeRCOP)* as prescribed by the Code however the council reports income and expenditure internally by its operating segments which are based on the council's internal management reporting. Information on the operating segments is shown in appendix 1 to the financial statements which can be found on pages 108 to 109.

The following tables show the income and expenditure of the council's operating segments together with a reconciliation to the amounts included in the CIES:

Reconciliation of Operating Segment Income and Expenditure to the Cost of Services in the CIES						
Year Ended 31 March 2015				Year Ended 31 March 2016		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
107,535	(174,630)	**(67,095)**	Children's Services	112,254	(173,878)	**(61,624)**
91,714	(25,038)	**66,676**	Adult Services	101,225	(30,503)	**70,722**
90,312	(51,079)	**39,233**	Environment, Development and Housing	76,384	(52,953)	**23,431**
27,328	(11,917)	**15,411**	Assistant Chief Executive	26,224	(12,990)	**13,234**
24,127	(20,561)	**3,566**	Public Health	26,481	(22,006)	**4,475**
216,499	(186,391)	**30,108**	Finance, Resources and Law	212,702	(184,067)	**28,635**
19,056	(19,415)	**(359)**	Corporate Services	21,079	(20,589)	**490**
20,544	(8,335)	**12,209**	NHS Trust managed S75 Services	20,725	(9,219)	**11,506**
30,362	(58,808)	**(28,446)**	Housing Revenue Account (HRA)	29,121	(59,774)	**(30,653)**
627,477	**(556,174)**	**71,303**	**Operating Segment Analysis**	**626,195**	**(565,979)**	**60,216**
Amounts not included in the operating segment analysis but included in the CIES cost of services						
143,815	(20,897)	**122,918**	Schools	145,592	(22,234)	**123,358**
50,619	(50,619)	**0**	Support service and management and administration recharges	46,974	(46,974)	**0**
(1,097)	0	**(1,097)**	Non current asset charges	234,205	0	**234,205**
(84)	0	**(84)**	Employee adjustments	469	0	**469**
193,253	**(71,516)**	**121,737**		**427,240**	**(69,208)**	**358,032**
Amounts included in the operating segment analysis but not included in the CIES cost of services						
(16,392)	0	**(16,392)**	Interest payable	(17,146)	0	**(17,146)**
0	849	**849**	Interest receivable	0	2,191	**2,191**
0	3,517	**3,517**	Income in relation to investment properties	0	3,275	**3,275**
(167)	0	**(167)**	Precepts and levies	(167)	0	**(167)**
(47)	0	**(47)**	Non current assets disposal costs	(55)	0	**(55)**
0	16,889	**16,889**	Non ring fenced government grants	0	17,259	**17,259**
(16,606)	**21,255**	**4,649**		**(17,368)**	**22,725**	**5,357**
Allocation of recharges						
(53,883)	53,883	**0**	Support service and management and administration recharges	(51,045)	51,045	**0**
750,241	**(552,552)**	**197,689**	**Cost of Services**	**985,022**	**(561,417)**	**423,605**

Reconciliation of Operating Segment Income and Expenditure to the Surplus / Deficit on the Provision of Services in the CIES							
	Operating Segment Analysis	Amounts included in the Operating Segment Analysis but not included in the CIES Cost of Services	Amounts not included in the Operating Segment Analysis but included in the CIES Cost of Services	Allocation of Recharges	Cost of Services	Corporate Amounts	Surplus / (Deficit) on the Provision of Services
2015/16	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Employee expenses	165,869	0	127,125	0	**292,994**	11,769	**304,763**
Other service expenses	438,887	0	18,936	0	**457,823**	0	**457,823**
Support service and management and administration recharges	4,071	0	46,974	(51,045)	**0**	0	**0**
Non current asset charges - depreciation, amortisation, revaluation and impairment	0	0	234,205	0	**234,205**	4,361	**238,566**
Interest payable	17,146	(17,146)	0	0	**0**	17,545	**17,545**
Precepts and levies	167	(167)	0	0	**0**	211	**211**
Payments to housing capital receipts pool	0	0	0	0	**0**	1,264	**1,264**
Write out of disposed non current assets	55	(55)	0	0	**0**	12,375	**12,375**
Total Expenditure	**626,195**	**(17,368)**	**427,240**	**(51,045)**	**985,022**	**47,525**	**1,032,547**
Fees, charges and other service income	(188,772)	3,275	(8,167)	0	**(193,664)**	(4,898)	**(198,562)**
Support service and management and administration recharges	(4,071)	0	(46,974)	51,045	**0**	0	**0**
Income from non current assets disposals	0	0	0	0	**0**	(20,319)	**(20,319)**
Interest receivable	(2,191)	2,191	0	0	**0**	(2,648)	**(2,648)**
Income from council tax	0	0	0	0	**0**	(113,966)	**(113,966)**
Income from non domestic rates	0	0	0	0	**0**	(50,721)	**(50,721)**
Government grants	(370,945)	17,259	(14,067)	0	**(367,753)**	(93,354)	**(461,107)**
Total Income	**(565,979)**	**22,725**	**(69,208)**	**51,045**	**(561,417)**	**(285,906)**	**(847,323)**
Net Expenditure	**60,216**	**5,357**	**358,032**	**0**	**423,605**	**(238,381)**	**185,224**

Reconciliation of Operating Segment Income and Expenditure to the Surplus / Deficit on the Provision of Services in the CIES							
	Operating Segment Analysis	Amounts included in the Operating Segment Analysis but not included in the CIES Cost of Services	Amounts not included in the operating segment analysis but included in the CIES Cost of Services	Allocation of Recharges	Cost of Services	Corporate Amounts	Surplus / (Deficit) on the Provision of Services
2014/15 Comparative Figures	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Employee expenses	162,561	0	122,940	0	**285,501**	11,535	**297,036**
Other service expenses	445,046	0	20,791	0	**465,837**	0	**465,837**
Support service and management and administration recharges	3,264	0	50,619	(53,883)	**0**	0	**0**
Non current asset charges - depreciation, amortisation, revaluation and impairment	0	0	(1,097)	0	**(1,097)**	718	**(379)**
Interest payable	16,392	(16,392)	0	0	**0**	16,817	**16,817**
Precepts and levies	167	(167)	0	0	**0**	209	**209**
Payments to housing capital receipts pool	0	0	0	0	**0**	1,097	**1,097**
Write out of disposed non current assets	47	(47)	0	0	**0**	3,699	**3,699**
Total Expenditure	**627,477**	**(16,606)**	**193,253**	**(53,883)**	**750,241**	**34,075**	**784,316**
Fees, charges and other service income	(184,206)	3,517	(6,845)	0	**(187,534)**	(3,494)	**(191,028)**
Support service and management and administration recharges	(3,264)	0	(50,619)	53,883	**0**	0	**0**
Income from non current asset disposals	0	0	0	0	**0**	(8,654)	**(8,654)**
Interest receivable	(849)	849	0	0	**0**	(1,306)	**(1,306)**
Income from council tax	0	0	0	0	**0**	(107,648)	**(107,648)**
Income from non domestic rates	0	0	0	0	**0**	(51,475)	**(51,475)**
Government grants	(367,855)	16,889	(14,052)	0	**(365,018)**	(104,907)	**(469,925)**
Total Income	**(556,174)**	**21,255**	**(71,516)**	**53,883**	**(552,552)**	**(277,484)**	**(830,036)**
Net Expenditure	**71,303**	**4,649**	**121,737**	**0**	**197,689**	**(243,409)**	**(45,720)**

Housing Revenue Account Income and Expenditure Statement

Year Ended 31 March 2015 £'000	Housing Revenue Account Income and Expenditure Statement	Year Ended 31 March 2016 £'000
	Expenditure	
11,461	Repairs and maintenance	10,046
13,363	Supervision and management	13,791
1,735	Rents, rates, taxes and other charges	1,619
(40,994)	Non current asset charges - depreciation, amortisation, revaluation and impairment	(69,792)
58	Debt management costs	51
248	Movement in allowance for bad debts	147
(14,129)	**Total Expenditure**	**(44,138)**
	Income	
(50,450)	Dwelling rents	(51,234)
(1,390)	Non dwelling rents	(1,416)
(6,031)	Charges for services and facilities	(6,081)
0	Contributions towards expenditure	
(867)	Other income	(933)
(58,738)	**Total Income**	**(59,664)**
(72,867)	**Net Expenditure / (Income) of HRA Services as included in the CIES**	**(103,802)**
234	HRA share of corporate and democratic core	234
(72,633)	**Net Expenditure / (Income) of HRA Services**	**(103,568)**
	Share of the operating income and expenditure included in the CIES	
(2,249)	(Gain) / loss on disposal of HRA non current assets	(4,305)
(5)	Changes in the fair value of investment properties	(8)
(18)	Investment property income	(32)
5,281	Interest payable	5,251
(33)	Interest receivable	(35)
(120)	Capital grants and contributions	(1,153)
0	Non ring fenced government grant	(5)
480	Net interest on the net defined benefit liability	463
(69,297)	**(Surplus) / Deficit on the Provision of HRA Services**	**(103,392)**

Cash Flow Statement

Cash Flow Statement		
2014/15 £'000		2015/16 £'000
45,720	**Net surplus / (deficit) on the provision of services**	**(185,224)**
(6,101)	Non current asset charges - depreciation, amortisation, revaluation and impairment	233,795
1,030	Increase / (decrease) in creditors	(1,429)
2,277	(Increase) / decrease in debtors	687
15,060	Movement in the pension liability (element charged to the surplus / deficit on the provision of services)	22,334
3,528	Carrying amount of non current asset disposals	12,152
(918)	Movement in the fair value of investment properties	(1,997)
(1,826)	Contributions to / (from) provisions	(441)
(32)	Adjustments for effective interest rates	(1,310)
(53)	Other adjustments	(138)
12,965	**Adjustment to surplus / (deficit) on the provision of services for non cash movements**	**263,653**
(27,914)	Capital grants and contributions	(33,371)
(8,556)	Proceeds from the disposal of non current assets	(20,253)
(36,470)	**Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities**	**(53,624)**
22,215	**Net Cash Flows from Operating Activities**	**24,805**
(59,048)	Purchase of non current assets (including the movement in capital creditors and debtors)	(73,042)
(78,875)	Purchase of short and long term investments	(75,725)
65,350	Proceeds from short term investments	60,200
(9,567)	Long term loans granted	(21,193)
8,556	Proceeds from the disposal of non current assets	20,253
30,352	Capital grants and contributions received	35,075
(6)	Other capital cash payments / (receipts)	(36)
(43,238)	**Net Cash Flows from Investing Activities**	**(54,468)**
9,831	Cash receipts of short and long term borrowing	35,573
(4,253)	Billing authorities - council tax and non domestic rates adjustments	(3,754)
(3,941)	Repayment of short term and long term borrowing	(7,188)
1,637	**Net Cash Flows from Financing Activities**	**24,631**
(19,386)	**Net Increase / (Decrease) in Cash and Cash Equivalents**	**(5,032)**
(3,952)	Bank current accounts	(1,732)
48,530	Short term deposits	26,924
44,578	**Cash and Cash Equivalents as at 1 April**	**25,192**
(1,732)	Bank current accounts	(839)
26,924	Short term deposits	20,999
25,192	**Cash and Cash Equivalents as at 31 March**	**20,160**

Net Cash Flows from Operating Activities relating to Interest		
2014/15		2015/16
£'000		£'000
1,306	Interest received	2,648
364	Adjustments for differences between effective interest rates and actual interest receivable (including movement in interest debtor)	1,664
1,670	**Interest Received**	**4,312**
(16,817)	Interest paid	(17,545)
(152)	Adjustments for differences between effective interest rates and actual interest payable (including movement in interest creditor)	(243)
(16,969)	**Interest Paid**	**(17,788)**
(15,299)	**Net Cash Flows from Operating Activities relating to Interest**	**(13,476)**

Collection Fund Statement

Collection Fund Statement				
Year Ended 31 March 2015		Year Ended 31 March 2016		
		Council Tax	Non Domestic Rates	Total
£'000		£'000	£'000	£'000
(127,442)	Council tax	(134,000)	0	**(134,000)**
(104,143)	Non domestic rates	0	(105,912)	**(105,912)**
(231,585)	**Total amount required by statute to be credited to the Collection Fund**	**(134,000)**	**(105,912)**	**(239,912)**
	Precepts and demands from major preceptors and the council - council tax			
106,858	Brighton & Hove City Council	112,030		**112,030**
11,481	Sussex Police & Crime Commissioner	12,036		**12,036**
6,790	East Sussex Fire Authority	7,115		**7,115**
125,129		**131,181**		**131,181**
	Shares of non domestic rates income to major preceptors and the council			
51,581	Brighton & Hove City Council		52,380	**52,380**
1,053	East Sussex Fire Authority		1,069	**1,069**
52,634			**53,449**	**53,449**
52,633	Payment with respect to central share (including allowable deductions) of the non domestic rates income to be paid to central government		53,449	**53,449**
988	Transitional protection payment receivable		179	**179**
53,621			**53,628**	**53,628**
	Impairment of debts / appeals for council tax			
1,087	Write offs of uncollectable amounts	977		**977**
301	Allowance for impairment	(423)		**(423)**
1,388		**554**		**554**
	Impairment of debts / appeals for non domestic rates			
83	Write offs of uncollectable amounts		311	**311**
667	Allowance for impairment		160	**160**
750			**471**	**471**
(3,065)	Movement in the provision for business rates appeals		1,327	**1,327**
419	Charge to General Fund for allowable collection fund costs for non domestic rates		422	**422**
(2,646)			**1,749**	**1,749**
	Contributions for previous reporting periods estimated Collection Fund surplus			
2,014	Central Government		3,660	**3,660**
3,861	Brighton & Hove City Council	196	3,586	**3,782**
203	Sussex Police & Crime Commissioner	21	0	**21**
160	East Sussex Fire Authority	12	73	**85**
6,238		**229**	**7,319**	**7,548**
237,114	**Total amount required by statute to be debited to the Collection Fund**	**131,964**	**116,616**	**248,580**
5,529	**Total movement on the Collection Fund Balance**	**(2,036)**	**10,704**	**8,668**
(13,272)	**Total Opening Collection Fund Balance**	**(640)**	**(7,103)**	**(7,743)**
(7,743)	**Total Closing Collection Fund Balance**	**(2,676)**	**3,601**	**925**

Notes to the Financial Statements

1 Accounting Policies

The council has included its accounting policies in a separate section of the financial statements which can be found on pages 123 to 142.

Following the adoption of IFRS13 by the Code the council has introduced a new accounting policy in its 2015/16 financial statements in respect of fair value measurement; this policy can be found in the accounting policies section of the financial statements on page 124. The adoption of IFRS 13 has also led to changes in the non current asset and financial instruments accounting policies in respect of measurement and valuation techniques.

In 2015/16, the council undertook a significant review of its accounting policies with the aim of streamlining them; although much shortened, the review has not resulted in any fundamental changes to the council's accounting policies.

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

Under the Code, the council is required to disclose details on the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The following standards will need to be fully adopted by the council in 2016/17:

- Amendments to IFRS 11 Joint Arrangements - The amendment is a technical change in the accounting for acquisitions of interests in joint operations. Where the council acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 the council will be required to apply all of the principles of business combinations in IFRS 3 (with the exception of the principles that conflict with guidance in IFRS 11).
- There are changes to the format of the CIES, the MiRS and the introduction of a new Expenditure and Funding Analysis as a result of the Telling the Story review of the presentation of local authority financial statements.

In addition there have been a number of changes to existing accounting standards which include narrow scope amendments and which are not expected to have a material effect on the council's financial statements:

- Annual Improvements to IFRSs 2010-2012 cycle and Annual Improvements to IFRS2 2012-2014 cycle – the annual improvements process deals efficiently with a collection of narrow scope amendments to IFRSs even though the amendments are unrelated.
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – the amendment clarifies the acceptable methods of depreciation and amortisation that the council can use to depreciate / amortise non current assets.
- Amendment to IAS 1 Presentation of Financial Statements – the amendments are as a consequence of the International Accounting Standard's Board Disclosure Initiative. The changes are expected to enable and support local authorities in ensuring that they tell the most effective story within their financial statements.

Any new accounting standards which are not expected to have an impact on the council's financial statements in 2016/17 and beyond are not disclosed above.

3 Critical Judgements and Assumptions Made

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

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.

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

- **Retirement Benefit Obligation** – The estimation of the net pension liability depends upon 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 council with expert advice about the assumptions it should consider applying. Changes in these assumptions can have a significant effect on the value of the council's retirement benefit obligation. The key assumptions made are set out in note 24;
- **Provisions / Contingent Liabilities** – The council 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 council also exercises judgement; they are measured at the council's best estimate of the costs required to settle or discharge the obligation at the Balance Sheet date. The level of the council's provisions and details of its contingent liabilities are set out in notes 14 and 18 respectively;
- **Impairment of Financial Assets** – The council 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 council's usage of the asset. The council carries out an annual impairment review of its asset base which takes into account such factors as the current economic climate and local property value indices;
- **Fair Value Measurement** – When fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs for these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities. Where Level 1 inputs are not

available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair. Information about the valuation techniques and inputs used in determining the fair value of the assets and liabilities of the council are disclosed in notes 9 and 11;

- **Asset Componentisation** – The council has based the componentisation of assets using categories of typical buildings that the vast majority of its asset base would fall under. The council has exercised judgement on the main components that make up these typical buildings based on professional advice from the council's quantity surveyors. The council has also exercised judgement in classifying its assets under each typical building category and whether assets fall outside these categories and require individual attention for asset componentisation purposes;
- **Future Levels of Government Funding and Levels of Reserves** – The future levels of funding for local authorities have a high degree of uncertainty. The council has set aside amounts in provisions, working balances and reserves which it considers are appropriate based on local circumstances including its overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the council's track record in financial management;
- **Classification of Leases** – The council has entered into a number of lease arrangements in respect of property and other assets. The council has exercised judgement in the classification of leases (ie operating or finance lease) using such factors as the length of the lease and rent levels. It also reviews contractual arrangements to assess for lease type arrangements which may indicate the substance of a lease (eg contract values and length of contract). The council classifies all leases under 40 years as operating leases unless it is clear that all risks and rewards have transferred. In cases, where the council has deemed that a lease contains both an operating and finance lease element, it applies a materiality percentage of 20% in classifying both elements as a finance lease. Where the council sublets assets acquired under operating leases, these are treated, for disclosure purposes, as separate leases and are disclosed under operating leases where the council acts as the lessor. Details of the council's leases and lease type arrangements are set out in note 16;
- **Payments due under Private Finance Initiative (PFI)** – The council recognises and discloses its payments due under PFI arrangements 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 assumptions relating to PFI arrangements are set out in note 17;
- **Voluntary Aided Schools** – The council has determined that the buildings relating to voluntary aided schools do not meet the definition criteria of control under IAS 16 Property, Plant and Equipment; properties are owned by the diocese and the school(s) occupies the premises under a licence with no interest being passed to the council. The council does not have sufficient control over the property to meet the definition criteria of an asset and therefore does not recognise the assets on its Balance Sheet;
- **Academy Schools** – The council has exercised judgement of the treatment of the assets of schools which have converted to academy status based on the current status of the asset and the terms and conditions of any leases that are in place as at the Balance Sheet date. In respect of both Brighton Aldridge Community Academy (BACA) and Portslade Aldridge Community Academy (PACA), the new schools are operational and have been transferred to the possession of BACA and PACA respectively. The schools land and buildings are subject to long term leases (125 years) to commence on completion of the

contract; however, the final (legal) execution of the leases has been subject to delay and were not in place as at the Balance Sheet date. Therefore, the assets remain under the control of the council until the long term leases are signed and the council continues to hold the assets on its Balance Sheet for the financial year;

- **Heritage Assets** – The council 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 council 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 council has exercised judgement of the existence of a group relationship between the company and the council based on the definition of control and three tests set out in IFRS10 Consolidated Financial Statements. The council's main exercise of judgement is in relation to these tests and whether the council has the power to control the company, has exposure or rights to variable returns and the ability to affect the company's returns. Following an assessment of the relationship, the council has concluded that the arrangement does not meet the definition under IFRS10 for group accounting purposes;
- **Business rate appeals** – The council has applied judgement in calculating the provision for business rate appeals based on data from the Valuation Office Agency (VOA) regarding outstanding appeals where estimates of the likelihood of success, the amount of the reduction and the backdating of the appeal have been based upon averages of historic settled appeals data. Different averages have been calculated for the different types of appeal;
- **Better Care Fund (BCF)** – The Brighton and Hove Better Care Fund is a joint arrangement, under a S75 agreement, between the council and the Brighton & Hove Clinical Commissioning Group for the commissioning of health and social care services from the Brighton & Hove Better Care Fund. The council has exercised judgement in accounting for the BCF as a joint operation under IFRS 11 *Joint Arrangements.* Although the parties to the BCF pooled budget agreement have joint control, no separate vehicle has been created in this arrangement;
- **The Keep** – The Keep is an archive and historical resource centre. The council has exercised judgement in recognising the Keep as a joint operation with East Sussex County Council under IFRS 11 *Joint Arrangements*. The council includes a one third share of the asset on its Balance Sheet (£6.364m as at 31 March 2016);
- **Minimum Revenue Provision (MRP)** – The council is required to set aside a prudent sum for the repayment of debt (MRP). The methodology for the calculation of the MRP on the council's supported borrowing element of the capital financing requirement has been amended following a change in policy approved by Budget Council on 25 February 2016. The council previously provided on a 4% reducing balance basis which has been amended to 2% on a straight line basis.

4 Exceptional Items of Income and Expense

The council has included an exceptional item of £253.747m on the face of its CIES relating to revaluation losses on General Fund non current assets. A significant element relates to land and building assets valued using the depreciated replacement cost methodology.

The council has also included an exceptional item of £79.591m on the face of its CIES relating to the reversal of previous financial year's revaluation losses on council dwellings charged to the CIES in previous financial years.

Further information on these exceptional items is included in the non current assets section of the narrative report.

5 Events after the Reporting Period

These accounts were authorised for issue by the Executive Director Finance & Resources on 27 September 2016. Events taking place after this date are not reflected in the financial statements or notes.

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is currently a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) have taken action on the UK Sovereign credit rating as a result. The council's Treasury Strategy, as outlined in note 11, means that its surplus and net assets are well protected against currency fluctuations in the short to medium term and there is limited exposure to short-term debt maturities. There may be an impact on the council's investment property valuations if confidence in the wider UK property market were to fall; similarly, the valuation of the council's defined benefit pension obligations may also be affected. Reductions in the Bank of England interest rate will impact on investment income from cash surpluses although this is not expected to be material. It is too early to estimate the quantum of any impact on the financial statements and there is likely to be ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU. For the purposes of these financial statements, the Referendum is therefore considered a non-adjusting event. There have been no other events occurring after the reporting date that could have a material impact on these financial statements.

6 Usable Reserves

General Fund Balance

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

The following table shows the balances on the General Fund balance at the beginning and end of the financial year and the detailed movements during the year:

General Fund Balance	2014/15	2015/16
	£'000	£'000
Balance on the General Fund as at 1 April	**(11,196)**	**(10,467)**
(Surplus) / deficit on the provision of services	23,577	288,616
Total comprehensive income and expenditure	**23,577**	**288,616**
Adjustments between accounting basis and funding basis under regulations		
Charges for depreciation and impairment of non current assets	(39,158)	(44,882)
Reversal of previous revaluation losses / impairment losses on non current assets	8,619	2,730
Revaluation losses on non current assets	(3,388)	(260,627)
Movements in the fair value of investment properties	918	1,997
Amortisation of intangible assets	(971)	(816)
Capital grants and contributions applied	26,747	29,243
Revenue expenditure funded from capital under statute	(6,640)	(6,768)
Non current assets written off on disposal as part of the gain / loss on disposal to the CIES	(961)	(5,525)
Statutory provision for the financing of capital investment	8,245	4,298
Voluntary provision for the financing of capital investment	4,289	4,648
Capital investment charged against the General Fund and HRA balances	1,125	969
Capital grants and contributions unapplied credited to the CIES	1,047	2,975
Transfer of cash sale proceeds credited as part of the gain / loss on non current asset disposals to the CIES	3,740	9,321
Contribution from the capital receipts reserve to finance the payments to the housing capital receipts pool	(1,097)	(1,264)
Transfer of improvement grant repayments to the capital receipts reserve	84	65
Transfer of deferred sale proceeds credited as part of the gain / loss on non current asset disposals to the CIES	(3)	(15)
Reversal of items relating to retirement benefits debited / credited to the CIES	(37,436)	(46,005)
Employer's pension contributions payable	23,101	24,591
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	25	32
Amount by which council tax income and non domestic rates income credited to the CIES is different from the amount taken to the General Fund balance in accordance with regulation	(3,177)	(3,506)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	180	830
Total adjustments between accounting basis and funding basis under regulations	**(14,711)**	**(287,709)**
Net (increase) / decrease before transfers to / (from) earmarked reserves	**8,866**	**907**
Transfers to / (from) earmarked reserves	(8,137)	(3,168)
(Increase) / decrease in year	**729**	**(2,261)**
Balance on the General Fund as at 31 March	**(10,467)**	**(12,728)**

Capital Receipts Reserve

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

Capital Receipts Reserve	2014/15 £'000	2015/16 £'000
Balance as at 1 April	**(11,996)**	**(11,562)**
Adjustments between accounting basis and funding basis under regulations		
Transfer of cash sale proceeds credited as part of the gain / loss on non current asset disposals to the CIES	(8,556)	(20,253)
Use of the capital receipts reserve to finance new capital investment	4,371	15,603
Contribution from the capital receipts reserve towards administrative costs of non current asset disposals	68	98
Contribution from the capital receipts reserve to finance the payments to the housing capital receipts pool	1,097	1,264
Transfer of improvement grant repayments to the capital receipts reserve	(84)	(65)
Transfer from the deferred capital receipts reserve upon receipt of cash	(5)	(7)
Total adjustments between accounting basis and funding basis under regulations	**(3,109)**	**(3,360)**
Transfers to / (from) earmarked reserves	3,543	653
Balance as at 31 March	**(11,562)**	**(14,269)**

Major Repairs Reserve

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

Major Repairs Reserve	2014/15 £'000	2015/16 £'000
Balance as at 1 April	**0**	**0**
Adjustments between accounting basis and funding basis under regulations		
Depreciation on council dwellings	(8,193)	(9,144)
Amortisation of HRA intangible assets	(86)	(88)
Depreciation on other HRA non current assets	(373)	(322)
Use of the major repairs reserve to finance new capital investment	8,652	9,602
Total adjustments between accounting basis and funding basis under regulations	**0**	**48**
Balance as at 31 March	**0**	**48**

Capital Grants Unapplied Account

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

Capital Grants Unapplied		
	2014/15	**2015/16**
	£'000	**£'000**
Balance as at 1 April	**(1,808)**	**(1,761)**
Adjustments between accounting basis and funding basis under regulations		
Capital grants and contributions unapplied credited to the CIES	(1,047)	(2,975)
Application of grants to capital financing transferred to the CAA	1,010	1,151
Total adjustments between accounting basis and funding basis under regulations	**(37)**	**(1,824)**
Transfers to / (from) earmarked reserves	84	26
Balance as at 31 March	**(1,761)**	**(3,559)**

7 Unusable Reserves

Capital Adjustment Account (CAA)

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

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

Capital Adjustment Account		
	2014/15	2015/16
	£'000	£'000
Balance as at 1 April	**(1,208,911)**	**(1,289,703)**
Adjustments between accounting basis and funding basis under regulations		
Charges for depreciation and impairment of non current assets	48,464	54,589
Revaluation losses on non current assets	3,388	260,627
Upward revaluations reversing previous revaluation losses on non current assets	(59,459)	(82,321)
Amortisation of intangible assets	1,057	904
Revenue expenditure funded from capital under statute	6,640	6,768
Amounts of non current assets written off on disposal as part of the gain / loss on disposal to the CIES	3,528	12,152
Adjusting amounts written out to the revaluation reserve	(7,034)	(4,292)
Use of the capital receipts reserve to finance new capital investment	(4,371)	(15,603)
Use of the HRA balance to finance new capital investment	(500)	(1,100)
Use of the major repairs reserve to finance new capital investment	(8,652)	(9,602)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(26,867)	(30,396)
Application of grants to capital financing from the capital grants unapplied account	(1,010)	(1,151)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,245)	(4,298)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(8,189)	(8,948)
Capital investment charged against the General Fund and HRA balances	(14,515)	(14,136)
Movements in the market value of investment properties debited / (credited) to the CIES	(918)	(1,997)
Other adjustments	0	603
Total adjustments between accounting basis and funding basis under regulations	**(76,683)**	**161,799**
Use of earmarked reserves to finance new capital investment	(4,109)	(3,141)
Balance as at 31 March	**(1,289,703)**	**(1,131,045)**

Revaluation Reserve

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

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

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

The following table shows the balances on the revaluation reserve at the beginning and end of the financial year and the detailed movements during the year:

Revaluation Reserve		
	2014/15	2015/16
	£'000	£'000
Balance as at 1 April	**(598,500)**	**(678,815)**
Other comprehensive income and expenditure		
Upward revaluation of non current assets	(105,632)	(72,636)
Downward revaluation of non current assets and impairment losses not charged to the surplus / deficit on the provision of services	18,283	315,281
Total other comprehensive income and expenditure	**(87,349)**	**242,645**
Adjustments between accounting basis and funding basis under regulations		
Difference between fair value depreciation and historical cost depreciation	6,737	3,545
Accumulated gains on non current asset disposals	297	1,106
Other amounts written off to the capital adjustment account	0	(359)
Other adjustment	0	550
Total adjustments between accounting basis and funding basis under regulations	**7,034**	**4,842**
Balance as at 31 March	**(678,815)**	**(431,328)**

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 council does not treat those gains as usable for financing new capital investment until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve. The following table shows the balances on the deferred capital receipts reserve at the beginning and end of the financial year and the detailed movements in the year:

Deferred Capital Receipts Reserve		
	2014/15	2015/16
	£'000	£'000
Balance as at 1 April	**(6,259)**	**(6,251)**
Adjustments between accounting basis and funding basis under regulations		
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal of non current assets to the CIES	3	15
Transfer to the capital receipts reserve upon receipt of cash	5	7
Total adjustments between accounting basis and funding basis under regulations	**8**	**22**
Balance as at 31 March	**(6,251)**	**(6,229)**

Collection Fund Adjustment Account

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

Collection Fund Adjustment Account		
	2014/15	2015/16
	£'000	£'000
Balance as at 1 April	**(7,204)**	**(4,027)**
Adjustments between accounting basis and funding basis under regulations		
Amount by which council tax and non domestic rates income credited to the CIES is different from council tax and non domestic rates income calculated in accordance with statutory requirements	3,177	3,506
Total adjustments between accounting basis and funding basis under regulations	**3,177**	**3,506**
Balance as at 31 March	**(4,027)**	**(521)**

Available for Sale Financial Instruments Reserve

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

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

The reserve is matched by borrowings and investments on the Balance Sheet and therefore is not a resource available to the council. The movement on this reserve in the financial year relates solely to the revaluation of investments.

Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in line with statutory provisions. The council also uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the General Fund balance to the financial instruments adjustment account in the MiRS. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on the council tax requirement. The movement on this reserve in the financial year relates solely to the amount by which finance costs charged to the CIES are different to those chargeable in accordance with statutory requirements. There were no premiums paid on the early redemption of loans in the year.

Pensions Reserve

The pensions reserve is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net charge in the council's recognised liability for the same period. The reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council 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 council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet. The following table shows the balances on the pensions reserve at the beginning and end of the financial year and the detailed movements in the year:

Pensions Reserve		
	2014/15	2015/16
	£'000	£'000
Balance as at 1 April	**266,715**	**362,522**
Other comprehensive income and expenditure		
Remeasurements of the net defined benefit liability	80,747	(114,577)
Total other comprehensive income and expenditure	**80,747**	**(114,577)**
Adjustments between accounting basis and funding basis under regulations		
Reversal of items relating to retirement benefits charged to the surplus / deficit on the provision of services	39,056	47,835
Employer's pensions contributions payable	(23,996)	(25,501)
Total adjustments between accounting basis and funding basis under regulations	**15,060**	**22,334**
Balance as at 31 March	**362,522**	**270,279**

Accumulated Absences Account

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

Accumulated Absences Account		
	2014/15	2015/16
	£'000	£'000
Balance as at 1 April	**4,028**	**3,850**
Adjustments between accounting basis and funding basis under regulations		
Settlement / cancellation of accrual made at the end of the preceding reporting period	(4,028)	(3,850)
Amounts accrued at the end of the current reporting period	3,850	3,022
Total adjustments between accounting basis and funding basis under regulations	**(178)**	**(828)**
Balance as at 31 March	**3,850**	**3,022**

8 Earmarked Reserves

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

Transfers to / from Earmarked Reserves							
	Balance at 1 April 2014	**2014/15 Transfers To**	**2014/15 Transfers From**	**Balance at 31 March 2015**	**2015/16 Transfers To**	**2015/16 Transfers From**	**Balance at 31 March 2016**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
EARMARKED GENERAL FUND RESERVES							
Schools LMS reserves	**(7,219)**	0	1,685	**(5,534)**	0	1,167	**(4,367)**
Capital reserves	**(5,506)**	(333)	3,098	**(2,741)**	(254)	2,146	**(849)**
Departmental carry forwards	**(3,619)**	(1,492)	3,619	**(1,492)**	(487)	1,492	**(487)**
Restructure redundancy reserve	**(2,065)**	(1,000)	1,566	**(1,499)**	(2,362)	2,720	**(1,141)**
Brighton Centre redevelopment reserve	**(3,635)**	(23)	52	**(3,606)**	(24)	230	**(3,400)**
ASC long term capacity reserve	**(1,490)**	0	414	**(1,076)**	0	1,076	**0**
Brighton i360 reserve	**0**	(730)	0	**(730)**	(1,070)	0	**(1,800)**
Insurance reserves	**(6,546)**	(41)	987	**(5,600)**	(164)	27	**(5,737)**
PFI reserves	**(7,012)**	(829)	1,615	**(6,226)**	(563)	1,439	**(5,350)**
Revenue grants carry forward reserve	**(3,717)**	(1,406)	2,160	**(2,963)**	(621)	2,531	**(1,053)**
City Deal New England House development reserve	**0**	(4,900)	0	**(4,900)**	0	0	**(4,900)**
Modernisation fund reserve	**0**	0	0	**0**	(2,244)	323	**(1,921)**
Other earmarked reserves	**(10,217)**	(3,143)	4,906	**(8,454)**	(1,347)	1,930	**(7,871)**
Total	**(51,026)**	**(13,897)**	**20,102**	**(44,821)**	**(9,136)**	**15,081**	**(38,876)**
EARMARKED HRA RESERVES							
Capital reserves	**(3,099)**	(615)	3,251	**(463)**	(653)	165	**(951)**
Restructure redundancy reserve	**(388)**	0	0	**(388)**	0	0	**(388)**
Other earmarked reserves	**(744)**	(507)	183	**(1,068)**	(127)	196	**(999)**
Total	**(4,231)**	**(1,122)**	**3,434**	**(1,919)**	**(780)**	**361**	**(2,338)**
Total Earmarked Reserves	**(55,257)**	**(15,019)**	**23,536**	**(46,740)**	**(9,916)**	**15,442**	**(41,214)**

Local Management of Schools (LMS) Reserve

The Local Management of Schools (LMS) reserve holds the balances held by the council's schools under a scheme of delegation. These reserves are held by each 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 council's schools:

Reserves Held by Schools				
	Balance as at 31 March 2015	2015/16		Balance as at 31 March 2016
		Unspent Balance	Overspent Balance	
	£'000	£'000	£'000	£'000
Nursery schools	**(36)**	(1)	27	**26**
Primary schools	**(3,644)**	(3,207)	306	**(2,901)**
Secondary schools	**(1,338)**	(1,565)	282	**(1,283)**
Special schools	**(516)**	(482)	273	**(209)**
Total	**(5,534)**	**(5,255)**	**888**	**(4,367)**

Schools reserves are disclosed over the four phases of education; nursery, primary, secondary and special. Whilst the total reserves will be a credit balance, it is possible that individual phases may be in debit as schools reserves are viewed by the council as a whole.

Other Earmarked Reserves

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

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

The restructure redundancy reserve funds approved redundancy payments and associated severance and pension payments. The payments are either paid by services or are funded through this reserve subject to meeting defined business case criteria including demonstrating appropriate levels of future savings.

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

The ASC long term capacity reserve held resources which were set aside to promote integrated working between health and social care and to build longer term capacity within the city to meet future need; this reserve has been fully utilised in the financial year.

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

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

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

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

The City Deal New England House development reserve holds the funding secured as part of the Greater Brighton city deal to develop New England House into a growth hub.

The modernisation fund reserve represents money approved by the council's Corporate Modernisation Delivery Board to fund projects and teams which add value for money or lead to cost reductions in council services.

9 Non Current Assets

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

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

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

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

Non Current Assets													
2015/16	**Council Dwellings**	**Other Land & Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Surplus Assets**	**Total PPE**	**Heritage Assets**	**Investment Property**	**Assets Held for Sale (Short Term)**	**Intangible Assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	645,443	1,284,150	50,651	185,697	7,965	1,639	4,466	**2,180,011**	215,843	43,992	180	10,112	**2,450,138**
Accumulated depreciation / amortisation	(8,194)	(33,333)	(30,734)	(77,314)	0	0	(31)	**(149,606)**	0	0	0	(7,922)	**(157,528)**
Net Carrying Amount at 1 April 2015	**637,249**	**1,250,817**	**19,917**	**108,383**	**7,965**	**1,639**	**4,435**	**2,030,405**	**215,843**	**43,992**	**180**	**2,190**	**2,292,610**
Capital Additions													
Additions	25,930	20,309	2,250	10,375	124	11,802	1	**70,791**	1,044	0	0	1,366	**73,201**
Asset Disposals													
Derecognition - disposals	(6,712)	(5,766)	(1,145)	0	0	0	0	**(13,623)**	0	0	(180)	0	**(13,803)**
Derecognition - disposals (depreciation)	85	444	1,122	0	0	0	0	**1,651**	0	0	0	0	**1,651**
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve													
Revaluation increases	1,666	62,090	0	0	0	0	7,295	**71,051**	1,585	0	0	0	**72,636**
Revaluation losses	0	(293,152)	0	0	0	0	(1,127)	**(294,279)**	(20,705)	0	0	0	**(314,984)**
Impairment losses	(4)	(293)	0	0	0	0	0	**(297)**	0	0	0	0	**(297)**
Transactions charged to the surplus / deficit on the provision of services in the CIES													
Reversal of previous revaluation losses and impairment losses	79,591	2,717	0	0	0	0	13	**82,321**	0	0	0	0	**82,321**
Depreciation / amortisation charge	(9,144)	(21,463)	(3,568)	(9,900)	0	0	(75)	**(44,150)**	0	0	0	(904)	**(45,054)**
Revaluation losses	0	(258,168)	0	0	0	0	(2,463)	**(260,631)**	0	0	0	0	**(260,631)**
Impairment losses	(241)	(10,198)	0	0	0	0	0	**(10,439)**	0	0	0	0	**(10,439)**
Revaluation of investment property	0	0	0	0	0	0	0	**0**	0	2,005	0	0	**2,005**
Other transactions													
Assets reclassified	489	(1,387)	0	98	(3,315)	713	3,199	**(203)**	0	33	170	0	**0**
Other movements in gross carrying amount	0	(1,617)	0	0	0	338	0	**(1,279)**	0	0	0	0	**(1,279)**
Other movements in depreciation	0	125	0	0	0	0	0	**125**	0	0	0	0	**125**
Net Carrying Amount at 31 March 2016	**728,909**	**744,458**	**18,576**	**108,956**	**4,774**	**14,492**	**11,278**	**1,631,443**	**197,767**	**46,030**	**170**	**2,652**	**1,878,062**
Gross carrying amount	738,053	754,213	51,756	196,170	4,774	14,492	11,278	**1,770,736**	197,767	46,030	170	11,478	**2,026,181**
Accumulated depreciation / amortisation	(9,144)	(9,755)	(33,180)	(87,214)	0	0	0	**(139,293)**	0	0	0	(8,826)	**(148,119)**
Net Carrying Amount at 31 March 2016	**728,909**	**744,458**	**18,576**	**108,956**	**4,774**	**14,492**	**11,278**	**1,631,443**	**197,767**	**46,030**	**170**	**2,652**	**1,878,062**

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

Summary of Transactions for Heritage Assets

The following table shows a summary of the transactions on heritage assets:

Summary of Transactions on Heritage Assets		
	2014/15	2015/16
	£'000	£'000
Cost of acquisitions		
Royal Pavilion	36	1,020
Volks Railway	52	24
Total Cost of Acquisitions	**88**	**1,044**
Carrying amount as at 31 March		
Royal Pavilion	173,456	153,771
Collections	31,030	31,960
West Blatchington Windmill	872	1,034
Rottingdean Windmill	461	545
Rare Books	8,000	8,240
Volks Railway	2,024	2,217
Total Carrying Amount as at 31 March	**215,843**	**197,767**

Valuations

Land and building valuations were based upon valuation reports issued by the council's valuers. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The council requires that all valuers are RICS qualified. The council's valuation experts work closely with finance officers reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

Property, Plant and Equipment (PPE)

The council carries out a rolling programme for revaluing its PPE assets that ensures that all PPE assets required to be measured at current value are revalued at least every five years. The exception is the valuation of HRA dwellings and garages and car park assets which are undertaken annually; methods of valuation for these assets are conducted following government guidance on stock valuation for resource accounting.

Valuations are carried out by the council's internal valuers and by independent property managing companies contracted by the council: Cluttons, Savills UK Ltd, Wilks Head & Eve and Montagu Evans. The valuation of the council's council dwellings is carried out annually by Savills UK Ltd.

During 2015/16, the council employed external valuers, Montagu Evans to value its land and buildings assets under depreciate replacement cost (DRC) as at 31 March 2016. This led to an alternate approach to the valuations; the approach used is in line with the 'instant build' approach for assets valued under the DRC methodology as defined by CIPFA's Code of Practice.

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

Rolling Programme for the Revaluation of Property, Plant and Equipment								
	Council Dwellings	**Other Land & Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Surplus Assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Carried at historical cost	0	0	51,756	196,170	4,774	7,831	0	**260,531**
Valued at current value:								
2015/16	712,123	549,997	0	0	0	0	11,277	**1,273,397**
2014/15	0	70,942	0	0	0	0	0	**70,942**
2013/14	0	40,109	0	0	0	0	0	**40,109**
2012/13	0	31,510	0	0	0	0	0	**31,510**
2011/12	0	35,169	0	0	0	0	0	**35,169**
Capital investment	25,930	26,486	0	0	0	6,661	1	**59,078**
Gross carrying amount	**738,053**	**754,213**	**51,756**	**196,170**	**4,774**	**14,492**	**11,278**	**1,770,736**
Accumulated depreciation	(9,144)	(9,755)	(33,180)	(87,214)	0	0	0	**(139,293)**
Net carrying amount	**728,909**	**744,458**	**18,576**	**108,956**	**4,774**	**14,492**	**11,278**	**1,631,443**

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

Surplus Assets

The fair value of the council's surplus assets is determined using the development appraisal method. This method includes the yield methodology and adjusted sales comparison approach, and is consistent with IFRS 13 *Fair Value Measurement*. The method involves a degree of judgement and uses data which is not widely publicly available. Inputs to the valuations, some of which are "unobservable" as defined by IFRS 13, include capitalisation rates, discount rates and comparable market values for both rents and vacant possession values. For these reasons, all valuations of the council's surplus assets are classified as Level 3 as defined by IFRS 13. There were no transfers between levels during the financial year.

Valuation process

Property is valued according to the development appraisal method which includes both market and cost based approaches based on a proposed development scheme:

- yield methodology: the value of the income stream, by reference to market rent for similar properties, and capitalisation rates from similar properties traded in the same geographic region;
- adjusted sales comparison approach: the vacant possession value of similar properties and discount rates for similar properties traded in the same geographic region;
- construction costs: constructions rates, professional fees, finance costs, developer profit, statutory costs and development periods for similar properties in the same geographic region.

The valuer's role is to undertake the valuations by assessing all major inputs to the valuation process, including market rents, comparable vacant possession values for similar properties, yields and costs. The council's internal estates manager and lead valuer review the output from the valuation including the valuation techniques used for each property, adjustments made to default values for unobservable inputs, and the correlation of valuation inputs to data from the council's property and financial systems. They assess valuation movements compared to the prior year valuation (at a property value, regional and property type level), and review ratios of let value to vacant possession value, values per square foot, effective yields and comparisons to property market indices.

The following table shows quantitative information about fair value measurement of surplus assets using significant unobservable inputs (level 3):

Quantitative Information about Fair Value Measurement (Surplus Assets)				
Property Type	Fair Value at 31 March 2016 £'000	Valuation techniques used to measure Fair Value	Unobservable inputs	Range of unobservable inputs
Surplus assets	11,277	Development appraisal	Rental values	Office: £150 to £200 psm
			Capital values	Residential: £2,650 to £7,000 psm
			Capitalisation rate	Office: 6.5% to 8.5%
			Construction costs	Residential: £1,560 to £2,153 psm
				Office: £1,481 to £1,617 psm
			Land values	Student housing: £20,000 to £25,000 per unit

Note: per square metre has been abbreviated to 'psm' in the above table.

The following table shows the relationship of significant unobservable inputs to fair value and the impact of significant changes to those outputs:

Relationship of Unobservable Inputs to Fair Value (Surplus Assets)		
Unobservable input	Impact on Fair Value of Changes to Input	
	Increase in Input	Decrease in Input
Adjusted comparable vacant possession values	Increase in fair value	Decrease in fair value
Rental values	Increase in fair value	Decrease in fair value
Capitalisation rates	Decrease in fair value	Increase in fair value
Construction costs	Decrease in fair value	Increase in fair value

Heritage Assets

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

Investment Property

The fair value of the council's investment property is measured annually. Valuations are carried out by the council's internal valuers and by independent property managing companies contracted by the council: Cluttons, Wilks Head & Eve and Savills UK Ltd.

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

The fair value of the council's investment property portfolio is determined using a variety of techniques depending on the property type and the terms of the lease. These techniques include the yield methodology, adjusted sales comparison approach, and discounted cash flow. They involve a degree of judgement and use data which is not widely publicly available. Inputs to the valuations, some of which are "unobservable" as defined by IFRS 13, include capitalisation rates, discount rates and comparable market values for both rents and vacant possession values. For these reasons, all valuations of the council's investment property portfolio are classified as level 3. There were no transfers between levels during the financial year.

Valuation process

The council's investment property is valued according to one or more of the following two approaches:

- yield methodology - the value of the income stream for the term of the lease, by reference to the current rent for the property, rent review provisions, market rent for similar properties, and capitalisation rates from similar properties traded in the same geographic region;
- adjusted sales comparison approach - the vacant possession value of similar properties, the time until vacant possession will be achieved, and discount rates for similar properties traded in the same geographic region.

The council's external valuers provide capitalisation and discount rates and undertake the majority of the valuations. Their role is to undertake the valuations by assessing all major inputs to the valuation process, including market rents, comparable vacant possession values for similar properties and the unexpired term of leases. The council's internal estates manager and lead valuer review the output from the valuation including the valuation techniques used for each property, adjustments made to default values for unobservable inputs, and the correlation of valuation inputs to data from the council's property and financial systems. They assess valuation movements compared to the prior year valuation (at a property valuer, regional and property type level), and review ratios of let value to vacant possession value, values per square foot, effective yields and comparisons to property market indices.

The following table shows quantitative information about fair value measurement of investment properties using significant unobservable inputs (level 3):

Quantitative Information about Fair Value Measurement (Investment Property)				
Property Type	**Fair Value at 31 March 2016 £'000**	**Valuation techniques used to measure Fair Value**	**Unobservable inputs**	**Range of unobservable inputs**
Urban commercial	46,030	Yield methodology	Rental values	Retail: £131 to £1,151 psm
				Office: £134 to £213 psm
				Car Park: £3 to £5 per space per day
				Garden Centre: £10 to £15 psm
				Public House (Ground Lease): £100 to £150 psm
			Capitalisation rate	Retail: 5% to 10%
				Office: 8% to 9.5%
				Car Park: 8%
				Garden Centre: 7%
				Public House (Ground Lease): 5 to 6%

Note: per square metre has been abbreviated to 'psm' in the above table.

The following table shows the relationship of significant unobservable inputs to fair value and the impact of significant changes to those outputs:

Relationship of Unobservable Inputs to Fair Value (Investment Property)		
	Impact on Fair Value of Changes to Input	
Unobservable input	Increase in Input	Decrease in Input
Adjusted comparable vacant possession values	Increase in fair value	Decrease in fair value
Rental values	Increase in fair value	Decrease in fair value
Capitalisation rates	Decrease in fair value	Increase in fair value

In estimating the fair value of the council's investment properties, the highest and best use of the properties is their current use.

The amount of gains / losses in the financial year arising from changes in the fair value of the council's investment property was £2.005m.

Useful Lives

Assets of the same type generally have the same life but there are exceptions for specific assets. Operational buildings and surplus assets are generally valued with a life of either 20 or 50 years as advised by the council's valuers. In respect of the assets valued using depreciated replacement cost methodology as at 31 March 2016, the useful life used by the external valuer was 10 years; this is a change from previous years.

The asset life of council dwellings is set at 60 years. Asset lives for vehicles, plant, furniture and equipment are generally set at between five and ten years depending on the nature of the asset. The asset life for infrastructure assets is set at 20 years.

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

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

Impairment and Revaluation Losses

As part of the annual inspection and ongoing management of its property portfolio, the council makes an assessment of the impact of obsolescence, physical damage and changes of use which could affect asset values. During 2015/16, the council has recognised a significant impairment loss on non current assets of £10.198m in respect of the refurbishment of Hove Town Hall.

During the year, the council has also recognised significant revaluation losses on non current assets of £575.615m; of which £422.349m was in respect of specialised assets valued at depreciated replacement cost at 31 March 2016. The other significant element is in respect of the Royal Pavilion with a revaluation loss being incurred of £10.205m which is primarily due to a change in insurance value. These revaluation losses occurred as a result of the revaluation of assets in accordance with the council's asset revaluation policy.

Contractual Commitments

At 31 March 2016, the council had entered into the following contractual commitments in respect of non current assets:

Contractual Commitments in respect of Non Current Assets		
Scheme Name	**Description**	**Total £'000**
Council Dwellings		
Housing stock programme	Council dwellings works in progress	31,543
Other Land and Buildings		
Highways	Local transport plan works	716
Housing HRA	Building works on various sites	11,774
Workstyles	Building works on various sites	3,360
Regeneration Projects	Stanmer Park restoration project	141
Housing General Fund	Permanent travellers site	420
Environment Projects	Minor project works	7
Vehicles, Plant, Furniture and Equipment		
Equipment	CEM parking	7
Equipment	Controlled parking schemes	2
Equipment	ICT core infrastructure	79
Equipment	Workstyles phase 3 - ICT costs	254
Intangible Assets		
Information Management	Software and services	49

Income and Expenses in respect of Investment Property

The council lets properties in its investment portfolio at the full market rent achievable on the basis of the leases granted. The council received £2.818m of income in relation to investment properties in 2015/16 (£3.078m 2014/15). No revenue expenditure was incurred in relation to investment properties.

Intangible Assets acquired by way of a Government Grant

The council received grant funding of £0.053m (£0.599m 2014/15) to fund the acquisition of intangible assets in respect of ICT systems.

HRA Non Current Assets

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

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

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

The council has opted to use the transitional arrangements in respect of revaluation and impairment losses. However, as the 2015/16 actual depreciation charge is lower than the notional major repairs allowance, the council has not applied an adjusting credit transfer in respect of depreciation. Transitional arrangements only apply to HRA council dwellings; these charges are not notional and have a real impact on HRA finances.

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

HRA Non Current Assets								
2015/16	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total PPE	Investment Properties	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross carrying amount	645,443	16,772	858	1,088	**664,161**	161	471	**664,793**
Accumulated depreciation / amortisation	(8,194)	(500)	(755)	0	**(9,449)**	0	(346)	**(9,795)**
Net Carrying Amount at 1 April 2015	**637,249**	**16,272**	**103**	**1,088**	**654,712**	**161**	**125**	**654,998**
Capital additions								
Additions	25,930	55	0	5,850	**31,835**	0	0	**31,835**
Asset disposals								
Derecognition - disposals	(6,712)	0	0	0	**(6,712)**	0	0	**(6,712)**
Derecognition - disposals (depreciation)	85	0	0	0	**85**	0	0	**85**
Transactions in respect of the surplus on revaluation of non current assets within the HRA Income and Expenditure Statement								
Revaluation increases	1,666	393	0	0	**2,059**	0	0	**2,059**
Revaluation losses	0	(81)	0	0	**(81)**	0	0	**(81)**
Impairment losses	(4)	0	0	0	**(4)**	0	0	**(4)**
Transactions charged to the surplus / deficit on the provision of services within the HRA Income and Expenditure Statement								
Reversal of previous revaluation losses	79,591	0	0	0	**79,591**	0	0	**79,591**
Depreciation / amortisation charge	(9,144)	(241)	(81)	0	**(9,466)**	0	(88)	**(9,554)**
Revaluation losses	0	(4)	0	0	**(4)**	0	0	**(4)**
Impairment losses	(241)	0	0	0	**(241)**	0	0	**(241)**
Revaluation of investment property	0	0	0	0	**0**	8	0	**8**
Other transactions								
Assets reclassified	489	(33)	0	811	**1,267**	33	0	**1,300**
Other movements in gross carrying amount	0	(1,617)	0	338	**(1,279)**	0	0	**(1,279)**
Other movements in depreciation	0	125	0	0	**125**	0	0	**125**
Net Carrying Amount at 31 March 2016	**728,909**	**14,869**	**22**	**8,087**	**751,887**	**202**	**37**	**752,126**
Gross carrying amount	738,053	15,362	859	8,087	**762,361**	202	471	**763,034**
Accumulated depreciation / amortisation	(9,144)	(493)	(837)	0	**(10,474)**	0	(434)	**(10,908)**
Net Carrying Amount at 31 March 2016	**728,909**	**14,869**	**22**	**8,087**	**751,887**	**202**	**37**	**752,126**

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

Council Dwellings

The council was responsible for managing 11,551 council dwellings at 31 March 2016 (11,670 at 31 March 2015) made up as follows:

Council Dwellings						
	0 Bed	1 Bed	2 Bed	3 Bed	4+ Bed	Total
2015/16						
Bedsits	666	17	0	0	0	**683**
Bungalows	26	173	27	23	1	**250**
Flats	2	3,332	2,821	189	0	**6344**
Houses	0	23	1,433	2,383	271	**4110**
Maisonettes	0	0	98	60	6	**164**
Total	**694**	**3,545**	**4,379**	**2,655**	**278**	**11,551**
2014/15						
Bedsits	680	0	0	0	0	**680**
Bungalows	26	174	27	21	1	**249**
Flats	0	3,373	2,882	193	0	**6,448**
Houses	0	10	1,455	2,393	268	**4,126**
Maisonettes	0	0	99	62	6	**167**
Total	**706**	**3,557**	**4,463**	**2,669**	**275**	**11,670**

The following table summarises the movement in council dwellings within the year:

Movement in Council Dwellings		
	2014/15	2015/16
Stock at 1 April	**11,733**	**11,670**
Sales	(52)	(75)
Transferred to Brighton & Hove Seaside Community Homes Ltd	0	(54)
Conversions	(11)	10
Stock at 31 March	**11,670**	**11,551**

Note: The 2015/16 conversions included 5 council dwellings that have been deactivated pending redevelopment and 13 new conversions/new homes.

The council has removed £6.627m of council dwellings net book asset values from its Balance Sheet in respect of the movements detailed in the above table.

The vacant possession value in respect of council dwellings at 1 April 2016 was £2,223m as valued by the valuers, Savills UK Ltd, compared with the value of £738m for its existing use as social housing. The difference of £1,485m represents the cost to the government of providing council housing at less than open market rents.

Housing Local Delivery Vehicle

Brighton & Hove Seaside Community Homes Ltd is a not for profit charitable company set up and funded by a third party independent to the council 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 council taking them on over a five year period starting from November 2011. A total of 470 properties had transferred at 31 March 2016; 150 transferred in 2011/12, 201 transferred in 2012/13, 65 transferred in 2013/14 and 54 transferred in 2015/16. The final 29 properties are due to transfer during 2016/17. The properties are let to homeless households and people with particular needs nominated by the council.

10 Capital Investment and Capital Financing

The council made £100.624m of capital investments in 2015/16. The table below shows the total amount of capital investment analysed for each category of non current asset together with the resources that have been used to finance the capital investment:

Capital Investment and Capital Financing		
	2014/15	2015/16
	£'000	£'000
Capital investment		
Property, plant and equipment	57,702	70,792
Heritage assets	88	1,044
Intangible assets	820	1,365
Revenue expenditure funded from capital under statute	6,640	6,768
Long term investments	25	25
Long term debtor - i360 project	9,241	20,514
Current intangible asset - Carbon Reduction Commitment	120	116
Total Capital Investment	**74,636**	**100,624**
Sources of finance		
Capital receipts	(4,371)	(15,603)
Capital grants and contributions	(27,877)	(31,547)
Major repairs reserve (HRA)	(8,652)	(9,602)
Reserves	(4,109)	(3,141)
HRA balance	(500)	(1,100)
Revenue contributions	(14,515)	(14,136)
Unsupported borrowing	(14,612)	(25,495)
Total Financing	**(74,636)**	**(100,624)**

The council's capital financing requirement represents capital investment historically that is funded from borrowing which will be repaid in future financial years. In 2015/16, £25.495m of capital investment was financed through unsupported borrowing (ie not supported by the Government) and therefore impacted on the council's capital financing requirement. Where capital investment is funded by borrowing, a charge is made to revenue as non current assets are used by the council. The following table shows the council's capital financing requirement position:

Opening Capital Financing Requirement	**336,246**	**334,424**
Explanation of movements in capital financing requirement		
Increase in underlying need to borrow (unsupported by government financial assistance)	14,612	25,495
Repayment of loans (MRP)	(16,434)	(13,246)
Increase / (Decrease) in Capital Financing Requirement	**(1,822)**	**12,249**
Closing Capital Financing Requirement	**334,424**	**346,673**

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

Capital Investment and Capital Financing		
	2014/15	**2015/16**
	£'000	**£'000**
The capital financing requirements reflects the following Balance Sheet items:		
Non current assets	2,292,610	1,878,062
Adjustment to non current assets for revaluation losses on HRA non dwelling assets charged to the HRA balance under HRA self financing	497	493
Long term debtors	9,810	30,441
Long term investments	25	50
Capital adjustment account	(1,289,703)	(1,131,045)
Revaluation reserve	(678,815)	(431,328)
Total	**334,424**	**346,673**

Minimum Revenue Provision (MRP)

The council is required by statute to set aside a prudent sum for the repayment of debt (MRP). Guidance issued by the Government requires Full Council to approve an annual statement on the amount of debt that will be repaid in a financial year; the council's annual statement was approved by Budget Council on 3 March 2015. The following table shows the amount set aside from revenue:

Minimum Revenue Provision		
	2014/15	**2015/16**
	£'000	**£'000**
GF Supported debt (debt where central government provide revenue support)	6,402	2,328
GF Unsupported debt (debt where no central government support is received)	4,289	4,648
HRA unsupported debt	3,900	4,300
Charge equal to write down on PFI liabilities	1,843	1,970
Total Amount Set Aside from Revenue	**16,434**	**13,246**

The decrease in the amount set aside from revenue for the repayment of debt is as a result of the council undertaking a review of its MRP policy during the financial year and consequently changing the estimation technique for the provision against the "supported borrowing" element of the capital financing requirement. Further details are included in the narrative report.

HRA Capital Investment and Financing

The council had £31.835m of capital investments in respect of the HRA in 2015/16. The table below shows the resources that have been used to finance the capital investment:

HRA Capital Investment and Financing		
	2014/15	2015/16
	£'000	£'000
Capital investment	29,025	31,835
Total Capital Investment	**29,025**	**31,835**
Major repairs reserve	(8,652)	(9,602)
Revenue contributions	(13,390)	(13,167)
Reserves	(3,057)	(1,669)
HRA balance	(500)	(1,100)
Capital receipts	(3,306)	(4,368)
Capital grants and contributions	(120)	(1,923)
Unsupported borrowing	0	(6)
Total Funding	**(29,025)**	**(31,835)**

The following table shows a summary of the total capital receipts received in 2015/16 in respect of the HRA:

HRA Capital Receipts		
	2014/15	2015/16
	£'000	£'000
Right to buy sales of houses and flats	4,816	7,887
Sale of land and other property	0	88
Mortgages repayments	6	8
Discount repayments	0	58
Transferred properties to Brighton & Hove Seaside Community Homes Ltd	0	2,899
Total	**4,822**	**10,940**

11 Financial Assets and Liabilities – Financial Instruments

Categories of Financial Instruments

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

Categories of Financial Instruments				
	Long Term		Short Term	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	0	0	40,943	49,067
Available for sale financial assets	0	0	29,010	30,720
Unquoted equity investments	25	50	0	0
Total Investments	**25**	**50**	**69,953**	**79,787**
Debtors				
Loans and receivables	17,125	39,518	0	0
Financial assets carried at contract amounts	0	0	32,488	30,353
Total Debtors	**17,125**	**39,518**	**32,488**	**30,353**
Borrowings				
Financial liabilities at amortised cost	(206,156)	(237,729)	(13,180)	(9,341)
Total Borrowings	**(206,156)**	**(237,729)**	**(13,180)**	**(9,341)**
Creditors				
Financial liabilities carried at contract amounts	0	0	(40,855)	(48,982)
Total Creditors	**0**	**0**	**(40,855)**	**(48,982)**
PFI Liability				
Financial liabilities at amortised cost	(53,915)	(51,790)	(1,926)	(2,081)
Total PFI Liability	**(53,915)**	**(51,790)**	**(1,926)**	**(2,081)**

Note: The above table includes cash equivalents, bank overdraft, PFI liabilities and finance lease liabilities. Further details on these financial instruments can be found in notes 17 and 16 respectively.

Income, Expense, Gains and Losses

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

Gains and Losses in Respect of Financial Instruments				
	Financial Liabilities	Financial Assets		
	Measured at Amortised Cost	Loans and Receivables	Available for Sale Assets	Total
2015/16	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	10,184	0	0	**10,184**
Fee expense	38	7	42	**87**
Total Expense in the Surplus / Deficit on the Provision of Services	**10,222**	**7**	**42**	**10,271**
Interest income	0	(2,387)	(261)	**(2,648)**
Fee income	0	(5)	0	**(5)**
Total Income in the Surplus / Deficit on the Provision of Services	**0**	**(2,392)**	**(261)**	**(2,653)**
Gain on revaluation	0	0	(3)	**(3)**
Loss on revaluation	0	0	5	**5**
Surplus / Deficit arising on the Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	**0**	**0**	**2**	**2**
Net (Gain) / Loss	**10,222**	**(2,385)**	**(217)**	**7,620**

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

The council has appointed external cash managers to administer part of the council's investment portfolio; they invest in specialist markets such as gilts, certificates of deposit and other negotiable financial instruments. A loss of £0.003m represents a depreciation in the valuation of these investments not realised at 31 March 2016.

The council has a portfolio (£5.000m) of Certificates of Deposit at 31 March 2016. A net gain of £0.001m represents an appreciation of the valuation of the Certificate of Deposits at 31 March 2016.

Fair Value of Financial Assets and Liabilities

Some of the council's financial assets are measured in the Balance Sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial Assets Measured at Fair Value				
Recurring Fair Value Measurements	**Input Level in the fair value Hierarchy**	**Valuation Technique used to measure Fair Value**	**31 March 2015 £'000**	**31 March 2016 £'000**
Available for Sale				
Certificates of Deposit	Level 1	Unadjusted quoted prices in an active market for identical investments	3,501	5,017
Cash Manager holding	Level 1	Valuation of the council's holding was undertaken by the Cash Manager at Balance Sheet date using unadjusted quoted prices and active market data for identical instruments as those held in the fund at that date	25,509	25,703
Total			**29,010**	**30,720**

Unquoted Equity Instruments Measured at Cost

The council has a shareholding in the UK Municipal Bonds Agency plc. The shares are carried at cost of £0.050m and have not been revalued as a fair value cannot be reliably measured. The company was formed in 3 June 2014 and has no established trading history. There are also no other established companies with similar aims whose shares are traded which might provide comparable market data. The council has no current intention to dispose of the shareholding.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels during the financial year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Except the financial assets carried at fair value (described in the above table), all other financial liabilities and financial assets (represented by loans and receivables), 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 financial instruments (Level 2) using the following assumptions:

- for loans from the Public Works Loan Board (PWLB) payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans as at 31 March 2016 (which could be viewed as a proxy for transfer of value). The mark to model valuation technique as described below has been used to derive these valuations;

- for non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. The mark to model valuation technique as described below has been used to derive these valuations;
- no early repayment or impairment is recognised;
- where a financial instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding;
- the fair value of debtors and creditors is taken to be the invoiced or billed amount.

Mark to Model Valuation for Financial Instruments

As at 31st March 2016 the council held £245.106m of financial liabilities for which Level 2 valuations will apply. These financial liabilities are held with PWLB and market lenders and were not quoted on an active market and therefore a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the council has used a financial model valuation provided by its treasury advisors. This valuation applied the Net Present Valuation technique approach (as described above), which provides an estimate of the value of payments in the future in today's terms as at the Balance Sheet date. This is a widely accepted valuation technique commonly used in the private sector. The council's accounting policy uses early repayment rates to discount future cash flows.

Fair Valuation of PFI Liabilities

As at 31 March 2016 the carrying value of the PFI liability for the council's three PFI contracts was £53.871m, for which a Level 3 valuation applies. The fair value of the PFI liability on the council's Balance Sheet has been undertaken by the council's treasury advisors using the same mark to model valuation technique used to provide the fair value of the council's PWLB borrowing. The PWLB annuity discount rate has been used as a market proxy of fair value.

The fair values calculated are as follows:

Financial Liabilities

Financial Liabilities				
	31 March 2015		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB borrowing	(137,361)	(194,085)	(169,652)	(234,679)
Market borrowing	(75,926)	(96,158)	(75,915)	(126,880)
Bank overdraft	(1,732)	(1,732)	(839)	(839)
Other	(4,317)	(4,317)	(664)	(664)
Total Borrowing	**(219,336)**	**(296,292)**	**(247,070)**	**(363,062)**
Creditors	(40,855)	(40,855)	(48,982)	(48,982)
PFI liability	(55,841)	(82,137)	(53,871)	(79,230)
Total Financial Liabilities	**(316,032)**	**(419,284)**	**(349,923)**	**(491,274)**

The fair value of financial liabilities is greater than the carrying amount because the council'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. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of the PWLB loans of £170.106m measures the economic effect of the terms agreed with the PWLB compared with the estimates of the terms that would be offered for market transactions undertaken at 31 March 2016. The difference between the carrying amount and the fair value measures the additional interest the council will pay over the remaining terms of the loan under the agreements with the PWLB against what would be paid if the loans were undertaken at prevailing market rates.

However, the council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the principal amount of £170.106m would be valued at £204.808m. But if the council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will now not be paid. The exit price for the PWLB including the penalty charge would be £63.932m.

Financial Assets

Financial Assets				
	31 March 2015		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	40,943	40,943	49,067	49,067
Available for sale	29,010	29,010	30,720	30,720
Unquoted equity investments	25	25	50	50
Total Investments	**69,978**	**69,978**	**79,837**	**79,837**
Debtors	49,613	49,613	69,871	69,871
Total Financial Assets	**119,591**	**119,591**	**149,708**	**149,708**

Note: the above table includes cash equivalents.

With the exception of the unquoted equity investment, all financial assets in respect of investments are short term at 31 March 2016. The fair value of the loans and receivables investments are therefore deemed to be equal to the carrying amount.

The fair value of the unquoted equity instrument is deemed to be equal to its carrying amount as a fair value cannot be reliably measured.

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

The council'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 council;
- liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments;
- refinancing and maturity risk – the possibility that the council 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 council's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk Management is carried out by a central treasury management team, under policies approved by Full Council in the annual Treasury Management Strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. The risk is minimised by the council through the Annual Investment Strategy (AIS) which requires that deposits are not made with banks and financial institutions unless they meet the minimum requirements, in accordance with Fitch, Moody's and Standard & Poors Credit Rating Services. The AIS also considers maximum amounts and time limits with a financial institution in each category. Additional selection criteria are also applied by the council before an investment is made. The AIS was approved at Full Council in March 2015 and a copy of the strategy can be found on the council's website.

The minimum criteria set out in the 2015/16 AIS for investment counterparties were:

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

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the council.

The council's maximum exposure to credit risk in relation to its investments in financial institutions of £79.787m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there is no evidence at the 31 March 2016 that this was likely to crystallise.

The council does not expect any losses from non performance of any of its counterparties in relation to deposits and bonds. During 2015/16 the council did not hold collateral as security for any investment.

The council does not generally allow credit for its customers; however, £9.135m (22%) of the outstanding debtors at the Balance Sheet date are past their due date for payment. The following table shows the level of debtors past their due date for payment analysed by age:

Debtors past their due date for Payment		
	31 March 2015	31 March 2016
	£'000	£'000
Less than 3 months	4,174	1,643
Between 3 and 6 months	1,204	1,621
Between 6 and 12 months	1,963	2,507
More than 12 months	3,413	3,364
Total	**10,754**	**9,135**

Liquidity Risk

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

The council 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 council is also required to provide a balanced budget, under the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Therefore there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The council 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 council's exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicators for (a) the maturity structure of debt and (b) investments made for a period greater than one year are the two key parameters used to address this risk. The council'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 council's day to day cash flow needs, and that the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The following two tables show the maturity analysis of financial liabilities and financial assets:

Maturity Analysis of Financial Liabilities		
	31 March 2015	**31 March 2016**
	£'000	**£'000**
Less than 1 year	(7,554)	(4,458)
Between 1 and 2 years	(3,244)	(1,840)
Between 2 and 5 years	(4,866)	(7,026)
Between 5 and 10 years	(41,567)	(47,600)
Between 10 and 15 years	(20,580)	(20,493)
More than 15 years	(139,574)	(164,351)
Total	**(217,385)**	**(245,768)**

Maturity Analysis of Financial Assets		
	31 March 2015	**31 March 2016**
	£'000	**£'000**
Less than 1 year	69,953	79,787
More than 1 year	0	50
Total	**69,953**	**79,837**

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

Market Risk

Interest rate risk

The council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the CIES will rise;

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

All financial liabilities and financial assets held as loans and receivables at 31 March 2016 are carried at amortised cost, and thus movement in fair value due to changes in interest rates are not recognised in the CIES.

Financial assets held as available for sale at 31 March 2016 are held at fair value. Any change in fair value as a result of interest rate changes will be reflected in the CIES.

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

The council held £0.664m in borrowing and £43.067m in investments at variable rate interest at 31 March 2016. A 1% rise in interest rates would have had the following impact on the CIES during 2015/16:

Impact of a 1% rise in interest rates	
	£'000
Increase in interest payable on variable rate borrowings	38
Increase in interest receivable on variable rate investments	(587)
Impact on Surplus or Deficit on the Provision of Services	(549)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

A 1% rise in interest rates would have the impact of decreasing the fair value of the financial liabilities by £58.7m (no impact of the CIES). A 1% rise in interest rates would have no material impact on the fair value of investments, as investments are all held for less than one year.

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

Price risk

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

The council supported the creation of a Local Government Bond Agency (UK Municipal Bonds Agency plc) which will seek to raise capital funding for local authorities at preferential rates. The council has a £0.050m equity investment in the UK Municipal Bonds Agency plc through the purchase of a shareholding in the company. This investment is held at cost, and the value will be reviewed once more information becomes available as the Agency develops.

12 Debtors

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

Short Term Debtors		
	31 March 2015	31 March 2016
	£'000	£'000
Central government bodies	6,412	8,917
Other local authorities	1,518	7,329
NHS and clinical commissioning bodies	1,946	844
Other entities and individuals	27,732	24,785
Total Short Term Debtors	**37,608**	**41,875**

£30.353m of short term debtors are classed as financial instruments and are included in note 11; those debtors not included are statutory debtors, grant debtors and payments in advance.

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

Long Term Debtors		
	31 March 2015	31 March 2016
	£'000	£'000
Finance lease	6,238	6,223
i360 development	9,355	31,247
Other long term debtors	1,532	2,048
Total Long Term Debtors	**17,125**	**39,518**

All long term debtors are classed as financial instruments and are included in note 11.

13 Creditors

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

Short Term Creditors		
	31 March 2015	31 March 2016
	£'000	£'000
Central government bodies	(17,808)	(7,742)
Other local authorities	(4,902)	(5,015)
NHS and clinical commissioning bodies	(1,747)	(1,598)
Public corporations and trading funds	(123)	0
Other entities and individuals	(47,988)	(54,692)
Total Short Term Creditors	**(72,568)**	**(69,047)**

£48.982m of short term creditors are classed as financial instruments and are included in note 11; those creditors not included are statutory creditors, grant creditors and receipts in advance.

14 Provisions

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

Provisions					
		2015/16			
	Balance at 1 April 2015	Additional Provisions Made	Amounts Used	Unused Amounts Reversed	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Short Term Provisions					
Accumulated absences	**(3,850)**	(3,022)	3,850	0	**(3,022)**
Other provisions	**(381)**	(439)	241	8	**(571)**
Total	**(4,231)**	**(3,461)**	**4,091**	**8**	**(3,593)**
Long Term Provisions					
Voluntary severance scheme provision	**(1,246)**	(1,206)	1,131	0	**(1,321)**
Business rates appeals provision	**(1,477)**	(1,496)	846	0	**(2,127)**
Other provisions	**(1,214)**	(29)	366	310	**(567)**
Total	**(3,937)**	**(2,731)**	**2,343**	**310**	**(4,015)**

Accumulated Absences

This provision relates to employees' accumulated paid absences (eg annual leave and flexi leave) that are carried forward for use in future financial years if the current year's entitlements are not used in full.

Voluntary Severance Provision

Voluntary Severance is just one of the mechanisms that can help the council to meet its tough financial targets whilst minimising the risk of compulsory redundancies. The council has therefore put in place a mechanism to incentivise voluntary severance in services required to deliver approved budget savings in 2016/17. The mechanism enables employees below retirement age to consider leaving their employment in return for an enhanced severance package. Each case is separately reviewed and only approved where preset business case parameters are met. Similarly, employees of retirement age may also be considered subject to satisfying defined business case parameters in respect of the cost of severance versus anticipated savings. This provision will meet the costs of approved severance packages which had not been finalised at the Balance Sheet date.

Business Rates Appeals Provision

At 31 March 2016, the council had a number of appeals outstanding against the 2005 and 2010 rating lists. If successful, these appeals will result in a reduction in rateable value and the need to refund ratepayers for reduced rates liability in 2015/16 and previous financial years. This provision covers the council's share of the amount that the council anticipates having to repay to ratepayers in the future following successful appeals against the rating lists. The provision only covers appeals lodged by 31 March 2016 in line with the Government's Autumn Statement.

Other Short Term Provisions

Included within other short term provisions is an amount of £0.250m (£0.249m at 31 March 2015) set aside by the council to meet its obligations to purchase and surrender Carbon Reduction Commitment (CRC) allowances in relation to carbon dioxide emissions under the

CRC Energy Efficiency scheme. The council purchases the allowances from the Government and surrenders the allowances to the scheme in proportion to its reported emissions for the preceding scheme year and in accordance with the scheme requirements. The council also has a short term intangible asset of £0.478m (£0.359m at 31 March 2015) in respect of unused purchased allowances.

15 Grants and Contributions

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

Government Revenue Grants

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

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

Government Revenue Grants		
	2014/15	2015/16
	£'000	£'000
Non ring fenced government grants credited to taxation and non specific grant income		
Department for Education	(3,983)	(3,198)
Department for Communities and Local Government	(75,014)	(59,938)
Department for Work and Pensions	(2,723)	(1,565)
Department of Health	(222)	(297)
Total	**(81,942)**	**(64,998)**
Ring fenced government grants credited to cost of services		
Department for Education	(172,363)	(175,728)
Department for Communities and Local Government	(3,344)	(2,956)
Department for Work and Pensions	(163,799)	(162,720)
Department for Transport	(1,069)	(1,457)
Department of Health	(18,755)	(19,618)
Other government departments	(1,912)	(2,575)
Total	**(361,242)**	**(365,054)**
Total Government Revenue Grants	**(443,184)**	**(430,052)**

Non Ring Fenced Grants

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

- Revenue Support Grant of £46.097m which can be used by the council to finance revenue expenditure on any service;
- New Homes Bonus Scheme Grant of £3.837m which is a funding incentive largely to facilitate the council in the building of new homes in the city and bring empty homes back into use;
- PFI Grant of £3.003m which is in respect of the council's PFI projects which have become operational;

Ring Fenced Grants

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

- Dedicated Schools Grant of £156.240m; further details are provided below;

- Pupil Premium Grant of £9.238m which targets additional money at pupils from the most deprived background to help them achieve their full potential;
- Funding for sixth forms of £4.326m which provides funds for the council's locally maintained sixth form colleges.

The significant ring fenced grants received by the council from the Department for Work and Pensions (DWP) are in respect of Housing Benefit to reimburse the council for rent allowances and rent rebates (£161.734m).

The significant ring fenced grant received by the council from the Department of Health is in respect of the Public Health Grant (£17.407m) which provides the funding for the council to discharge its public health responsibilities.

Non Government Revenue Grants and Contributions

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

Non Government Revenue Grants and Contributions		
	2014/15	2015/16
	£'000	£'000
Non government grants and revenue contributions credited to cost of services		
Non government grants	(2,327)	(1,720)
Contributions from health	(14,292)	(17,669)
Contributions from other agencies and external bodies	(2,544)	(2,297)
Contributions from other local authorities	(1,506)	(1,617)
Other contributions, donations and sponsorship	(1,815)	(1,974)
Contributions from developers and stakeholders	(404)	(422)
Total Non Government Revenue Grants and Contributions	**(22,888)**	**(25,699)**

Revenue Grants and Contributions with Conditions Attached

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

Capital Grants and Contributions

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

Capital Grants and Contributions		
	2014/15	2015/16
	£'000	£'000
Capital grants and contributions credited to taxation and non specific grant income		
Department for Education	(5,062)	(9,737)
Department for Communities and Local Government	(5,096)	(2,647)
Department for Transport	(10,875)	(8,310)
Department of Health	(1,032)	(353)
Other government departments	(869)	(463)
Heritage Lottery Fund	(31)	(412)
Contributions from developers and stakeholders	(321)	(1,780)
Contributions from other local authorities	0	(6,434)
Other contributions	(95)	(300)
Total	**(23,381)**	**(30,436)**
Capital grants and contributions credited to cost of services		
Department for Education	(2,528)	(51)
Department for Communities and Local Government	(750)	(1,425)
Department of Health	(183)	(331)
Department for Transport	0	(31)
Department for Culture, Media and Sport	0	(714)
Other government departments	(315)	(147)
Other contributions	(757)	(236)
Total	**(4,533)**	**(2,935)**
Total Capital Grants and Contributions	**(27,914)**	**(33,371)**

Capital Grants and Contributions with Conditions Attached

The council 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 and / or property to be returned to the giver if the conditions are not met. The following table shows the balances at the 31 March held as Capital Grants Receipts in Advance on the Balance Sheet:

Capital Grants and Contributions with Conditions attached		
	2014/15	2015/16
	£'000	£'000
Grants and contributions held under capital grants receipts in advance		
Department for Education	(5,735)	(14,118)
Department for Communities and Local Government	(1,644)	(1,431)
Department for Transport	(78)	(256)
Homes and Communities Agency	(1,425)	(175)
Other government departments	(35)	(55)
Contributions from developers and stakeholders	(5,756)	(6,088)
Other contributions	(59)	0
Total Grants and Contributions with Conditions	**(14,732)**	**(22,123)**

Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant provided by the Department for Education, in the form of the Dedicated Schools Grant (DSG). DSG is a ring fenced specific grant and can only be applied to meet expenditure included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a council wide basis and the

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

Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget (ISB)	Total
2015/16	**£'000**	**£'000**	**£'000**
Final DSG for 2015/16 before academy recoupment	(25,931)	(142,409)	**(168,340)**
Less academy figure recouped for 2015/16	0	10,164	**10,164**
Other budget adjustments	1,907	0	**1,907**
Total DSG after academy recoupment for 2015/16	**(24,024)**	**(132,245)**	**(156,269)**
Brought forward from 2014/15	(1,453)	0	**(1,453)**
Agreed initial budgeted distribution in 2015/16	**(25,477)**	**(132,245)**	**(157,722)**
In year budget adjustments	(15)	15	**0**
Final budget distribution for 2015/16	**(25,492)**	**(132,230)**	**(157,722)**
Less actual central expenditure	24,791	0	**24,791**
Less actual ISB deployed to schools	0	132,230	**132,230**
Private, Voluntary and Independent providers (PVI) to be funded by DSG in 2016/17	269	0	**269**
Carry forward to 2016/17	**(432)**	**0**	**(432)**

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

16 Leases and Lease Type Arrangements

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

Council as Lessee – Finance Leases

The council has acquired a number of properties under finance leases which are used by the council for office accommodation and providing education, social care and library services. The terms of these leases range from 125 years to 150 years. The assets acquired under these leases have a value of £6.369m (£11.524m 2014/15) and are carried as PPE on the Balance Sheet categorised as other land and buildings. £1.617m of this decrease relates to a disposal of an asset, the remaining decrease is due to the significant reduction in DRC valuations that were carried out as at 31 March 2016. Further details on the DRC valuations are included in note 9.

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

Council as Lessee – Operating Leases

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

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

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

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

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

Future Minimum Lease Payments under Operating Leases (Lessee)		
	31 March 2015 £'000	**31 March 2016 £'000**
Not later than one year	10,607	13,091
Later than one year and not later than five years	17,771	26,624
Later than five years	3,732	1,611
Total Future Minimum Lease Payments	**32,110**	**41,326**

The council has procured three care service contracts which include lease type arrangements covering a 12 month period. In each case, the delivery of the contracts requires the use of specific properties. The payments to be made under these contracts in future financial years is £5.478m; the nature of the service delivery makes it impracticable to separate the lease payments from other payments and therefore this amount also includes payments for non lease elements.

The expenditure charged to the relevant cost of service in the CIES in relation to operating leases was £13.182m (£15.101m 2014/15).

Council as Lessor - Finance Leases

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

There have been no new long term finance leases entered into during 2015/16.

The council 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 council 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 (Lessor)		
	31 March 2015	31 March 2016
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):		
• Current	16	5
• Non current	6,222	6,218
Unearned finance income	39,886	39,599
Total Gross Investment in the Leases	**46,124**	**45,822**

Note: As the current debtor for finance leases is not material, the council has accounted for the whole finance lease debtor as a non current asset in the financial year.

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

Gross Investment in Finance Leases and Minimum Lease Payments under Finance Leases (Lessor)				
	Gross Investment in the Lease		Present Value of Minimum Lease Payments	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£'000	£'000	£'000	£'000
Not later than one year	473	461	16	5
Later than one year and not later than five years	2,305	2,305	31	33
Later than five years	43,346	43,056	6,191	6,185
Total	**46,124**	**45,822**	**6,238**	**6,223**

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

Council as Lessor – Operating Leases

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

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

Future Minimum Lease Payments under Operating Leases (Lessor)		
	31 March 2015	31 March 2016
	£'000	£'000
Not later than one year	6,825	7,291
Later than one year and not later than five years	19,216	20,139
Later than five years	92,494	104,063
Total Future Minimum Lease Payments	**118,535**	**131,493**

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

The total future minimum lease payments have increased by £10.333m; the majority of this increase is as a result of a new lease for Crowhurst Road (£7.878m).

17 Private Finance Initiative (PFI) and Similar Contracts

The council has three PFI arrangements:

- The council 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 council negotiated the removal of "soft services" (ie caretaking, cleaning, catering, grounds maintenance) and utilities from the schools PFI contract;
- In conjunction with East Sussex County Council, the council jointly entered into a 25 year agreement for the provision of an integrated waste management service with South Downs Waste Services Ltd (now trading as Veolia ES South Downs Limited). The agreement commenced in April 2003 and has subsequently been extended by a further five years to 2033;
- The council entered into a 25 year contract with NU Library for Brighton Limited for the provision of a new library and library service which commenced in November 2004.

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

In all cases the council 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 council only pays for the services it receives. If the PFI contractor fails to provide the service or meet the standards required, the council is entitled to make deductions from the payments due.

On expiry of the contracts the assets created under the PFI arrangements automatically revert to the council at nil consideration. Termination of the contracts prior to the expiry is permitted by either party but only in exceptional circumstances and only after a period of negotiation.   There have been no material changes to any of the PFI contracts in 2015/16.

Assets Held under PFI Arrangements

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

Assets held under PFI Arrangements				
	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
2015/16	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 April 2015				
Gross carrying amount	84,728	53,070	12,560	**150,358**
Accumulated depreciation	(6,327)	(6,260)	(1,022)	**(13,609)**
Net Carrying Amount at 1 April 2015	**78,401**	**46,810**	**11,538**	**136,749**
Capital additions				
Additions	260	0	0	**260**
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve				
Revaluation increases	8,783	1,482	2,976	**13,241**
Revaluation losses	(32,542)	(552)	(163)	**(33,257)**
Transactions charged to the surplus / deficit on the provision of services in the CIES				
Revaluation increases	0	596	181	**777**
Depreciation charge	(1,148)	(1,910)	(411)	**(3,469)**
Revaluation losses	(14,327)	(17,808)	(1,518)	**(33,653)**
Reversal of previous impairment losses	137	0	355	**492**
Net Carrying Amount at 31 March 2016	**39,564**	**28,618**	**12,958**	**81,140**
Gross carrying amount	43,442	30,018	12,958	**86,418**
Accumulated depreciation	(3,878)	(1,400)	0	**(5,278)**
Net Carrying Amount at 31 March 2016	**39,564**	**28,618**	**12,958**	**81,140**

In 2014/15, an adjustment was made, as part of the audit, to increase the non current asset valuations for those assets valued using the depreciated replacement cost methodology. The assets held under PFI arrangements disclosure were not updated for this adjustment and therefore an adjustment of £12.466m has been made in year and is included in the above table. This is not considered a fundamental mistake in the overall context of the financial statements.

The net book value of assets held under the PFI arrangements have been classified under PPE assets as other land and buildings of £80.390m (£135.783m 31 March 2015) and vehicles, plant and equipment of £0.750m (£0.966m 31 March 2015).

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

Liabilities Resulting from PFI Arrangements

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital investment and interest payable on the debt used to fund the capital investments. The following table shows the value of liabilities outstanding to pay the contractor for capital investment resulting from the PFI arrangements and an analysis of the movement in those liability values over the financial year:

Liabilities Resulting from PFI Arrangements				
2015/16	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
At 1 April 2015	**11,982**	**37,661**	**6,198**	**55,841**
Lease repayment	(461)	(1,291)	(218)	**(1,970)**
At 31 March 2016	**11,521**	**36,370**	**5,980**	**53,871**

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

The above table includes long term liabilities of £51.790m (£53.915m 2014/15) and short term liabilities of £2.081m (£1.926m 2014/15) at 31 March 2016; the long term liability is included in other long term liabilities on the Balance Sheet and the short term liability included in short term creditors.

Payments Due under PFI Arrangements

The council 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 prices 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" (ie caretaking, cleaning, catering, grounds maintenance) and these costs are therefore not part of the schools PFI arrangement.

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

Payments Due under PFI Arrangements				
2015/16	Repayment of Liability £'000	Interest Costs £'000	Payment for Services £'000	Total £'000
Schools PFI Contract				
Within 1 year	517	1,195	1,377	**3,089**
Within 2 to 5 years	2,647	4,200	4,918	**11,765**
Within 6 to 10 years	5,293	3,383	7,008	**15,684**
Within 11 to 15 years	3,064	495	3,050	**6,609**
Total Payments Due - Schools PFI	**11,521**	**9,273**	**16,353**	**37,147**
Waste PFI Contract				
Within 1 year	1,368	2,021	8,442	**11,831**
Within 2 to 5 years	4,245	7,322	37,781	**49,348**
Within 6 to 10 years	10,179	7,378	50,232	**67,789**
Within 11 to 15 years	13,800	4,235	57,406	**75,441**
Within 16 to 20 years	6,778	567	25,211	**32,556**
Total Payments Due - Waste PFI	**36,370**	**21,523**	**179,072**	**236,965**
Library PFI Contract				
Within 1 year	241	503	1,728	**2,472**
Within 2 to 5 years	1,186	1,792	7,399	**10,377**
Within 6 to 10 years	2,148	1,583	10,456	**14,187**
Within 11 to 15 years	2,405	521	9,525	**12,451**
Total Payments Due - Library PFI	**5,980**	**4,399**	**29,108**	**39,487**
Total PFI Contracts				
Within 1 year	2,126	3,719	11,547	**17,392**
Within 2 to 5 years	8,078	13,314	50,098	**71,490**
Within 6 to 10 years	17,620	12,344	67,696	**97,660**
Within 11 to 15 years	19,269	5,251	69,981	**94,501**
Within 16 to 20 years	6,778	567	25,211	**32,556**
Total Payments Due	**53,871**	**35,195**	**224,533**	**313,599**

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

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

18 Contingent Liabilities and Contingent Assets

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

An application has been received by the council (and many other local authorities) with regard to claiming mandatory 80% charity relief on hereditaments occupied by NHS foundation trusts backdated to 1 April 2010. It is not clear when any decision will be made on this or whether or not central government would compensate local authorities for some or all of the loss if the application is successful.

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

19 Related Parties

The council has the following material related party transactions:

Central Government

Central government has significant influence over the general operations of the council and provides the statutory framework within which the council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (eg council tax, housing benefits). Details of the general grants and specific grants received from government departments in 2015/16 can be found in note 15. Details of the amounts owed to / from central government are included in notes 12 and 13 respectively.

Levying Authorities

Other public bodies may levy the council by making a demand on the council tax requirement. For 2015/16, the council paid levies of £210,791 (£205,517 2014/15) to the Environment Agency, the Sussex Inshore Fisheries & Conservation Authority and various enclosure committees. These costs are included in other operating expenditure within CIES and also include a precept of £43,330 (£41,925 2014/15) for Rottingdean Parish Council.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in note 21. During 2015/16, works and services to the value of £22.253m (£13.232m 2014/15) were commissioned from companies in which members have declared an interest. Contracts were entered into in full compliance with the council's standing orders. The disclosure includes members who held seats before the local elections on 7 May 2015 and the members who held seats after this date. The total number of members who served on the council at some point in the year was 82 (56 in 2014/15). Details of the entities with whom members are involved are recorded in the Register of Members' Interests which can be found on the council's website under each member.

Officers

During 2015/16, the council provided Chief Finance Officer (S151), financial and other services to the South Downs National Park Authority (SDNPA) mainly on a contractual basis. During 2015/16, the council received £0.448m (£0.441m 2014/15) in respect of these services. The officers involved in providing S151 and other financial services to SDNPA were not in a position to influence these financial transactions as they were paid in accordance with the agreed contract terms.

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

The council 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 28.

Entities Controlled or Significantly Influenced by the Council

The Sussex Innovation Centre acts as a business incubator and innovation support unit for Sussex and the South East. The council was a minority shareholder in this company but had no control or influence over the centre. The council surrendered to the company its shareholding in 2008/09. The share surrender was conditional upon Sussex 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 council and also that there would be no change, amendment or alteration made to the company's objects. Under the surrender agreement the university is obliged, until 2034, to indemnify the council, as the accountable body to the South East England Development Agency (SEEDA), for any repayment of grant in the event of a breach of the obligations as set out in the grant determination and terms of the surrender agreement.

The Brighton Dome & Museum Development Company Ltd is a special purpose vehicle set up for the redevelopment of the Brighton Dome and Museum. The council is a minority (19%) shareholder in this company; Brighton Dome & Festival Ltd is the majority shareholder. The council was one of the funding partners for the Brighton Dome & Museum Development Company Ltd, however the redevelopment is now complete and this company has fulfilled its original purpose. The company will remain in existence for future years but is dormant.

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

Brighton & Hove Seaside Community Homes Ltd is a not for profit charitable company set up and funded by a third party independent to the council 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 council taking them on over a five year period starting from November 2011(470 properties transferred as at 31 March 2016). The primary objectives of the company are not confined solely to the dwellings leased from the council and the company is able, within it’s charitable objectives and with the approval of it’s primary funder, to undertake new ventures. The properties are let to homeless households and people with particular needs nominated by the council. The Board membership comprises twelve directors of which the council 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 council 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 (CIC) in June 2011. On 4 November 2015 a special Policy & Resources Committee meeting agreed a request from the CIC for a loan of £61,000 to address cash flow difficulties until the CIC moves into profit.

The council has supported the creation of a Local Government Bond Agency which will seek to raise capital funding for local authorities at preferential rates. On 29 September 2014 the council invested £0.025m to buy a shareholding in the company, UK Municipal Bonds Agency plc, and a further £0.025m was invested in the shareholding on 13 October 2015. This investment is shown at the purchase price. The value of the shares will be reviewed as more information becomes available as the Agency develops.

20 Officers' Remuneration

The remuneration paid to the council's senior employees is detailed in the following table.

Senior Employee Remuneration									
		2014/15				2015/16			
	Note	Salary (including Fees & Allowances)	Compensation for loss of office	Pension Contributions	Total Remuneration including Pension Contributions	Salary (including Fees & Allowances)	Compensation for Loss of Office	Pension Contributions	Total Remuneration including Pension Contributions
		£		£	£	£	£	£	£
Chief Executive - G Raw	**3**	0	0	0	**0**	106,452	0	20,022	**126,474**
Chief Executive - P Thompson	**4**	160,099	0	29,618	**189,717**	68,488	269,226	12,081	**349,795**
Assistant Chief Executive	**9**	77,887	0	14,385	**92,272**	82,200	0	15,504	**97,704**
Executive Director Finance & Resources (section 151 officer)	**5**	81,402	0	15,481	**96,883**	30,535	0	5,802	**36,337**
Executive Director Adult Services	**6**	105,000	0	19,425	**124,425**	105,600	0	19,950	**125,550**
Executive Director Children's Services		115,000	0	21,275	**136,275**	115,000	0	21,850	**136,850**
Director of Public Health	**10**	121,015	0	16,942	**137,957**	121,615	0	17,305	**138,920**
Executive Director Environment Development & Housing	**7**	125,000	0	23,125	**148,125**	156,287	0	29,471	**185,758**
Head of Legal and Democratic Services	**8**	85,925	0	15,777	**101,702**	88,400	0	16,473	**104,873**
Total		**871,328**	**0**	**156,028**	**1,027,356**	**874,577**	**269,226**	**158,458**	**1,302,261**

Note: no expense allowances were paid in 2015/16 or 2014/15.

Notes to the "Senior Employee Remuneration" table:

1. In cases where the post holder was in post for less than a full year, the proportion of their remuneration relating to the year in post has been disclosed in the above table. Their full time equivalent remuneration meets the disclosure requirements;
2. The figures presented for 2014/15 relate to the specific employees who met the disclosure requirements in 2015/16;
3. G Raw was appointed as Chief Executive on an interim basis from 16 July 2015 following the departure of P Thompson. The appointment was made permanent on 23 October 2015 following a recruitment process. G Raw's total remuneration included £600 for electoral services and these duties were fully funded by central government.
4. P Thompson stepped down from her role as Chief Executive on 30 June 2015. The post was then covered by the council's Executive Leadership Team from 1-15 July 2015. The remuneration received by P Thompson in 2015/16 included £37,500 basic pay, £26,084 for returning officer duties, and £269,226 as compensation for loss of office. The payments for returning officer duties were fully funded from central government.
5. The Executive Director Finance & Resources was appointed on 1 December 2015 on an acting up basis. Prior to this date the post was held on an interim consultancy basis and these costs have not been included in this disclosure.
6. The remuneration for the Director of Adult Services included a payment of £600 for electoral services. This payment was fully funded from central government.
7. The Executive Director Environment Development & Housing was in post until 15 July 2015 when he was appointed as the council's interim Chief Executive. The post was vacant until the post was appointed to on an acting up basis on 10 August 2015; this post was covered on a job share basis. The total remuneration for this post included a payment of £330 for electoral services; this payment was fully funded from central government.
8. The remuneration for the Head of Legal and Democratic Services included £1,700 for returning officer duties; this payment was fully funded from central government.
9. The remuneration for the Assistant Chief Executive included a payment of £600 for electoral services. This payment was fully funded from central government.
10. The remuneration for the Director of Public Health included a payment of £600 for electoral services. This payment was fully funded from central government.

Other Employee Remuneration

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

Other Officer Remuneration		
	2014/15	2015/16
Remuneration Band	Number of Employees	Number of Employees
£50,000 - £54,999	64	95
£55,000 - £59,999	63	57
£60,000 - £64,999	18	31
£65,000 - £69,999	14	13
£70,000 - £74,999	14	11
£75,000 - £79,999	4	10
£80,000 - £84,999	3	3
£85,000 - £89,999	2	4
£90,000 - £94,999	2	3
£95,000 - £99,999	0	1
£100,000 - £104,999	1	1
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	1
£130,000 - £134,999	1	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	1

Note: The 2015/16 figures include 10 employees who were presented within the senior officer remuneration table in 2014/15.

21 Members' Allowances and Expenses

During 2015/16, the council paid £0.828m (£0.850m 2014/15) of allowances to members; in addition members claimed £0.003m (£0.006m 2014/15) in expenses which were reimbursed by the council.The expenses covered 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 2015/16 are published in a local newspaper and posted on the notice boards outside the town halls in Brighton and Hove and on the council's website.

22 Termination Benefits including Exit Packages

The council terminated the contracts of a number of employees during 2015/16, incurring liabilities of £3.321m (£0.780m 2014/15). The figures in the table below include £3.207m in respect of termination benefits and £0.114m in respect of other exit packages and associated costs. These amounts were paid to employees, employed across different services within the council. Within the sum of £3.321m, amounts of £1.131m were paid from the provision made in 2014/15 which was charged directly to the CIES in 2014/15; the balance of £2.190m was charged directly to the CIES in 2015/16.

The council made a further provision of £1.206m in 2015/16. As a result, the council had a total provision of £1.321m as at 31 March 2016 in respect of committed payments to 97 employees for agreed voluntary redundancy packages. Further details of the voluntary severance provision are included in note 14.

The following table shows the level and costs of exit packages for compulsory and other redundancies agreed in the financial year:

Exit Packages								
	Number of Compulsory Redundancies		Number of Other Departures		Total Number of Exit Packages		Total Cost of Exit Packages	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Cost Band							£'000	£'000
£0 - £20,000	0	0	49	162	**49**	**162**	328	1,403
£20,001 - £40,000	1	0	14	27	**15**	**27**	452	721
£40,001 - £60,000	0	0	0	7	**0**	**7**	0	312
£60,001 - £80,000	0	0	0	6	**0**	**6**	0	429
£80,001 - £100,000	0	0	0	2	**0**	**2**	0	186
£250,001 - £300,000	0	0	0	1	**0**	**1**	0	269
Total	**1**	**0**	**63**	**205**	**64**	**205**	**780**	**3,320**

Note: the costs included in the above table include redundancy costs (both voluntary and compulsory), early retirement pension costs, pay in lieu of notice and other departure costs such as legal fees.

The council's Chief Executive and Head of Paid Service, Penny Thompson, left the council's employment on 30 June 2015. The cost of her exit package was £269,226 which comprised legal fees of £10,000, outplacement support costs of £7,500, enhanced pension payments of £22,226 and compensation for loss of office of £229,500; these costs are included in the above table.

23 Pension Schemes accounted for as Defined Contribution Schemes

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

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

In 2015/16, the council paid £9.924m (£9.001m 2014/15) to the Teachers' Pensions service in respect of teachers' retirement benefits, representing 14.1% from 1 April to 31 August and 16.48% from 1 September to 31 March (14.1% 2014/15) of pensionable pay. There were no contributions remaining payable at the end of the financial year. The contributions payable in the next financial year are estimated at £10.531m.

In 2015/16, the council paid £0.173m (0.179m 2014/15) to the NHS Business Service Authority in respect of public health employee's retirement benefits, representing 14.3% (14.0% 2014/15) of pensionable pay. There were no contributions remaining payable at the end of the financial year. The contributions payable in the next financial year are estimated at £0.156m

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

24 Defined Benefit Pension Schemes

Employees of the council are entitled to become members of one of three 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 on behalf of the Department for Education;
- the National Health Service (NHS) Pension Scheme, administered by the NHS Business Service Authority on behalf of the NHS.

Employees contribute to these schemes and the council also makes contributions towards the cost of post employment benefits as part of the terms and conditions of employment of its employees. Although these benefits will not actually be payable until employees retire, the council 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 council participates in the Local Government Pension Scheme (LGPS). East Sussex County Council acts as the scheme administrator of the East Sussex Pension Fund and is responsible for the management and administration of the Fund in line with the scheme regulations. Within the responsibilities of the Scheme Administrator is the requirement to liaise and communicate with employing authorities that participate in the Fund, ensure adequate record keeping in respect of each member of the Fund, to calculate and pay appropriate benefits to members and to produce the required information to comply with disclosure requirements.

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

In addition, the council 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 council has to generate cash, for example through associated savings on staffing costs, to meet actual pension payments as they eventually fall due.

Hymans Robertson LLP, an independent firm of actuaries, assesses the position of the East Sussex Pension Fund. The calculations and advice given by Hymans Robertson LLP in their actuarial report has been carried out in accordance with the Pensions Technical Actuarial Standard adopted by the Financial Reporting Council, which came into effect on 1 January 2013.

Basis for Estimating Assets and Liabilities

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

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

The following table shows the principal assumptions used by the actuary as at 31 March:

Basis for Estimating Assets and Liabilities		
	31 March 2015	**31 March 2016**
Long term expected rate of return on assets in the scheme		
Equity investments	3.20%	3.50%
Bonds	3.20%	3.50%
Property	3.20%	3.50%
Cash	3.20%	3.50%
Mortality assumptions		
Longevity at 65 for current pensioners:		
• men	22.2 years	22.2 years
• women	24.4 years	24.4 years
Longevity at 65 for future pensioners:		
• men	24.2 years	24.2 years
• women	26.7 years	26.7 years
Financial assumptions		
Rate of inflation	2.40%	2.20%
Rate of increase in salaries	4.30%	4.20%
Rate of increase in pensions	2.40%	2.20%
Rate for discounting scheme liabilities	3.20%	3.50%
Expected total return on assets	3.20%	3.50%
Take up of option to convert annual pension in retirement grant	*	*

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

IAS 19 requires the discount rate to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. As such, the figures prepared by the actuary in their actuarial report are unlikely to reflect either the actual eventual cost of providing the benefits or the likely level of contributions to fund the council’s obligations to the Fund. Also, the net liability position may change significantly due to relative changes in the equity and bond markets at the reporting date.

Sensitivity to Assumptions

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

- the costs of a pension arrangement requires estimates regarding future experience. The financial assumptions used by the actuary are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment) can have a significant effect on the value of the liabilities reported. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2016 on varying bases;
- a reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude;

- there is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment. To quantify the uncertainty around life expectancy, the actuary has calculated the difference in cost to the council of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (ie if improvements to survival rates predominately apply at younger or older ages).

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

Change in assumptions at 31 March 2016	**Approximate % increase to Employer Liability**	**Approximate monetary amount £'000**
0.5% decrease in real discount rate	11.00%	120,233
1 year increase in member life expectancy	3.00%	32,614
0.5% increase in salary increase rate	3.00%	33,176
0.5% Increase in pension increase rate	8.00%	85,202

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

Transactions relating to Post Employment Benefits

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

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

Transactions relating to Post Employment Benefits in respect of the Local Government Pension Scheme		
	2014/15	**2015/16**
	£'000	**£'000**
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services		
Service Cost Comprising:		
Current service cost	27,427	34,768
Past service cost	94	1,298
Financing and Investment Income and Expenditure		
Net interest expense	11,535	11,769
Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services	**39,056**	**47,835**
Other Post Employment Benefits charged to the CIES		
Remeasurement of the Net Defined Benefit Liability comprising:		
Return on scheme assets (excluding the amount included in the net interest expense)	(71,582)	13,015
Changes in financial assumptions	160,010	(113,596)
Other experience adjustments	(7,648)	(14,058)
Adjustment re remeasurements of the pension scheme	(33)	62
Total Post Employment Benefits charged to the CIES	**80,747**	**(114,577)**
Actual amount charged against the General Fund and HRA balance for pensions		
Employer's contributions payable to the scheme	(23,996)	(25,501)
Movement in Reserves Statement		
Reversal of net charges made to the surplus / deficit for the provision of services for post employment benefits	39,056	47,835
Net Adjustment to the Pension Reserve	**95,807**	**(92,243)**

Note: The remeasurements of the scheme in 2015/16 were £(114.639)m; this is different to the remeasurements recorded in the financial statements of £(114.577)m due to timing differences upon production of the actuarial report.

Assets and Liabilities in relation to Post Employment Benefits

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

Pension Assets and Liabilities recognised in the Balance Sheet		
	2014/15	**2015/16**
	£'000	**£'000**
Present value of the scheme liabilities	(1,162,644)	(1,087,131)
Fair value of scheme assets	800,122	816,852
Net Liability arising from Defined Benefit Obligation	**(362,522)**	**(270,279)**

Pension Scheme Liabilities

The present value of liabilities shows the underlying commitments that the council has in the long run to pay post employment benefits. The total liability of £1,087.131m can be split between funded and unfunded equating to £1,053.180m and £33.951m respectively. The council is only required to fund the defined benefits when the pensions are actually paid. The actuary will assess the need to increase contributions over the remaining working life of employees (ie before payments fall due) to make good the deficit on the Fund.

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

Reconciliation of Present Value of the Pension Scheme Liabilities (Defined Benefit Obligation)	2014/15 £'000	2015/16 £'000
Opening Balance at 1 April	**(963,610)**	**(1,162,644)**
Current service cost	(27,427)	(34,768)
Interest cost	(41,516)	(37,438)
Contributions from scheme participants	(7,564)	(7,816)
Remeasurements:		
Changes in financial assumptions	(160,010)	113,596
Other experience adjustments	7,648	14,058
Benefits paid	29,929	29,179
Past service cost	(94)	(1,298)
Balance at 31 March	**(1,162,644)**	**(1,087,131)**

The decrease in the scheme liabilities is mainly as a result of the change in financial assumptions made by the actuary at 31 March 2016 being more favourable than those made at 31 March 2015. The application of assumptions has resulted in a gain of £113.596m relating to financial assumptions, and a gain of £14.058m in relation to other experience adjustments. There has been no gain or loss due to the changes in demographic assumptions.

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

Scheme Liabilities in respect of Active, Deferred and Pensioner Members			
	Liability Split	Liability Split	Weighted Average Duration
2015/16	**£'000**	**%**	**Years**
Active members	554,652	52.7%	24.1
Deferred members	188,031	17.8%	23.1
Pensioner members	310,497	29.5%	11.9
Total	**1,053,180**	**100.0%**	**19.0**

Scheme Liabilities in respect of Active, Deferred and Pensioner Members			
	Liability Split	Liability Split	Weighted Average Duration
2014/15 Comparative Figures	**£'000**	**%**	**Years**
Active members	568,176	50.5%	24.1
Deferred members	213,946	19.0%	23.1
Pensioner members	343,482	30.5%	11.9
Total	**1,125,604**	**100.0%**	**19.0**

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

Pension Scheme Assets

During 2015/16 there has been an increase in the return on the scheme assets of £16.730m. The following table shows a reconciliation of the movements in the fair value of the scheme assets:

Reconciliation of the Movements in the Fair Value of the Pension Scheme Assets		
	2014/15	2015/16
	£'000	£'000
Opening Balance at 1 April	**696,895**	**800,122**
Interest income	29,981	25,669
Remeasurements:		
Return on scheme assets (excluding the amount included in the net interest expense)	71,582	(13,015)
Contributions from employer	24,029	25,439
Contributions from employees into the scheme	7,564	7,816
Benefits paid	(29,929)	(29,179)
Balance at 31 March	**800,122**	**816,852**

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

Proportion of the Fair Value of the Scheme Assets by Category								
	2014/15				2015/16			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	% of Total Assets	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	% of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities								
Consumer	31,425.5	148.7	**31,574.2**	**4%**	14,989.6	4.1	**14,993.7**	**2%**
Manufacturing	19,848.9	1,243.1	**21,092.0**	**3%**	9,756.3	8.0	**9,764.3**	**1%**
Energy and utilities	21,110.3	0.0	**21,110.3**	**3%**	2,107.5	26.1	**2,133.6**	**0%**
Financial institutions	45,961.2	0.0	**45,961.2**	**5%**	24,136.2	1.7	**24,137.9**	**3%**
Health and care	32,201.1	0.0	**32,201.1**	**4%**	10,340.4	8.7	**10,349.1**	**1%**
Information technology	34,301.0	0.0	**34,301.0**	**4%**	12,427.6	1.2	**12,428.8**	**1%**
Other	104.5	0.0	**104.5**	**0%**	0.0	4,114.7	**4,114.7**	**1%**
Total	**184,952.5**	**1,391.8**	**186,344.3**	**23%**	**73,757.6**	**4,164.5**	**77,922.1**	**9%**
Debt Securities								
UK government	0.0	12,707.9	**12,707.9**	**2%**	0.0	14,860.6	**14,860.6**	**2%**
Other	0.0	8,185.0	**8,185.0**	**1%**	0.0	15,203.6	**15,203.6**	**2%**
Total	**0.0**	**20,892.9**	**20,892.9**	**3%**	**0.0**	**30,064.2**	**30,064.2**	**4%**
Real Estate								
UK property	0.0	82,559.6	**82,559.6**	**10%**	5,177.9	91,574.3	**96,752.2**	**12%**
Total	**0.0**	**82,559.6**	**82,559.6**	**10%**	**5,177.9**	**91,574.3**	**96,752.2**	**12%**
Investment Funds and Unit Trusts								
Hedge funds	591.3	304.2	**895.5**	**0%**	0.0	885.3	**885.3**	**0%**
Infrastructure	0.0	15,910.0	**15,910.0**	**2%**	0.0	13,793.7	**13,793.7**	**2%**
Commodities	1,953.0	0.0	**1,953.0**	**0%**	401.0	0.0	**401.0**	**0%**
Equities	4,040.0	359,509.1	**363,549.1**	**45%**	526.2	422,905.0	**423,431.2**	**52%**
Bonds	32,170.8	19,944.3	**52,115.1**	**7%**	32,519.2	62,325.3	**94,844.5**	**12%**
Other	0.0	3,131.1	**3,131.1**	**0%**	0.0	2,795.1	**2,795.1**	**0%**
Total	**38,755.1**	**398,798.7**	**437,553.8**	**54%**	**33,446.4**	**502,704.4**	**536,150.8**	**66%**
Derivatives								
Foreign exchange	0.0	(156.2)	**(156.2)**	**0%**	0.0	0.0	**0.0**	**0%**
Total	**0.0**	**(156.2)**	**(156.2)**	**0%**	**0.0**	**0.0**	**0.0**	**0%**
Private Equity	0.0	44,222.7	**44,222.7**	**6%**	0.0	48,776.0	**48,776.0**	**6%**
Cash and cash equivalents	0.0	28,704.9	**28,704.9**	**4%**	27,186.7	0.0	**27,186.7**	**3%**
Total Assets	**223,707.6**	**576,414.4**	**800,122.0**	**100%**	**139,568.6**	**677,283.4**	**816,852.0**	**100%**

Asset and Liability Matching (ALM) Strategy

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

Asset Allocation

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

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

Manager Structure

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

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

Impact on the Council's Cash Flows

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

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

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

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the financial year to 31 March 2017 will be in the region of £22.995m.

An analysis of the projected amount to be charged to the CIES for the financial year to 31 March 2017 is shown below:

Projected Defined Benefit Cost for the Period Ended 31 March 2017			
	Assets	Liabilities	Net Liability
	£'000	£'000	£'000
Projected current service cost	0	(29,590)	**(29,590)**
Total Service Cost	**0**	**(29,590)**	**(29,590)**
Interest income on scheme assets	28,637	0	**28,637**
Interest cost on scheme liabilities	0	(38,169)	**(38,169)**
Total Net Interest Cost	**28,637**	**(38,169)**	**(9,532)**
Total Charge to CIES	**28,637**	**(67,759)**	**(39,122)**

The weighted average duration (ie the weighted average time until payment of all expected future discounted cashflows, determined based on membership and the financial and demographic assumptions as at the date of the 2013 actuarial valuation) of the defined benefit obligation for scheme members is 19 years for 2015/16 (19 years 2014/15).

25 External Audit Costs

In 2015/16, the council incurred the following costs in relation to the audit of the financial statements and certification of grant claims provided by the council's external auditors:

External Audit Costs		
	2014/15	2015/16
	£'000	£'000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor	218	163
Fees payable to the external auditor for the certification of grant claims and returns	19	18
Total	**237**	**181**

26 Publicity

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

The following table shows the expenditure on publicity in the financial year:

Publicity		
	2014/15	2015/16
	£	£
Recruitment advertising	368,991	328,957
Housing services (HRA)	4,265	11,006
Other housing services	2,701	0
Public transport	87,721	48,600
Projects and venues	130,018	102,093
Tourism	121,870	96,381
Children's social care	24,678	10,707
Waste collection	68,916	44,397
Road safety	0	26,114
Other publicity and marketing	147,197	127,528
Total	**956,357**	**795,783**

27 Agency Services

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

Council Tax

The council, as a billing authority for council tax, acts as an agent on behalf of the Sussex Police & Crime Commissioner and the East Sussex Fire Authority. The council has included a creditor of £0.378m for council tax income collected as an agent but which has not yet been paid to the two preceptors as at 31 March 2016.

Non Domestic Rates (NDR)

The council, as a billing authority for non domestic rates, acts as an agent on behalf of central government and the East Sussex Fire Authority. The cash collected by the council from non domestic rates taxpayers belongs proportionately to the council, central government (by means of its central share) and the precepting authority. The council has recognised a creditor of £1.126m for cash collected from non domestic rates taxpayers as an agent for central government and the precepting authority, but which has not yet been paid to central government and the precepting authority as at 31 March 2016.

The Collection Fund Statement and note 32 provide more detail in respect of income and expenditure in relation to these agency services.

Payroll Taxes and National Insurance

The council acts as an agent of Her Majesty's Revenue and Customs (HMRC) for the collection of income tax and national insurance on behalf of employees. The council has included a net creditor in the Balance Sheet of £4.227m for the amount due to HMRC at 31 March 2016.

28 Section 75 (S75) Arrangements

Under Section 75 (S75) of the National Health Service Act 2006, National Health Service (NHS) bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services or pooled budgets. During 2015/16, the council was party to the following S75 arrangements:

Adult Social Care

With effect from 1 April 2002, some adult social care services have been provided within the geographical area covered by the council under a partnership arrangement between the council, Brighton and Hove Clinical Commissioning Group (CCG) (from 1 April 2013), the Sussex Community Trust (SCT) and the Sussex Partnership Foundation Trust (SPFT). The CCG act as lead commissioner for short term services, mental health and dementia services, the council was the lead for the community equipment store up to 30 September 2015 when this service transferred under the Better Care Fund. SCT were the lead provider for the community equipment store until 30th September 2015 when the contract was outsourced, whilst SPFT are the lead provider for mental health and dementia services.

The council made a commissioning contribution of £12.130m (£13.093m 2014/15) to this S75 arrangement in 2015/16. This contribution is reflected in the Adult Social Care cost of service within the CIES.

The gross income to the partnerships in 2015/16 is £31.664m (£34.919m 2014/15) including CCG commissioning contributions. This has been expended by lead providers as follows:

Section 75 - Adult Social Care		
	2014/15	**2015/16**
	£'000	**£'000**
Sussex Community Trust	5,895	5,077
Sussex Partnership Foundation Trust	23,941	22,455
Brighton & Hove City Council	1,417	1,909
Other providers	3,666	2,223
Total	**34,919**	**31,664**

Note: The contribution of £12.130m reflects the gross funding provided by the council to the S75 arrangement whereas the expenditure figures included in the above table reflect the expenditure for the service areas provided by each party.

Better Care Fund (Adult Social Care)

The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve national conditions and local objectives. It is a requirement of the Better Care Fund that the council and the Brighton and Hove Clinical Commissioning Group (CCG) establish a pool fund for this purpose. The CCG is the host partner for the pool fund arrangement.

With effect from 1 April 2015, some adult social care services, covering the geographical area of the council, have been provided under the Brighton & Hove Better Care Fund partnership arrangement. The CCG acts as the lead commissioner for proactive care services, integrated primary care teams, homeless projects and dementia services. The council is the lead commissioner for the community equipment store (from 1 October 2015), protecting social care function, carers and keeping people well services. Although there are lead commissioners for services, all decisions are made jointly by both organisations and signed off by the Better Care Board, therefore the council accounts for the transactions using net accounting.

The gross income to the partnership in 2015/16 is £20.085m as shown in the table below:

Better Care Fund	
	2015/16
	£’000
Brighton & Hove City Council	(1,833)
Brighton and Hove Clinical Commissioning Group	(18,252)
Total	**(20,085)**

The council’s contribution is reflected in the adult social care cost of service within the CIES.

The following table shows the memorandum account which records the transactions with the pool fund:

Better Care Fund - Memorandum Account			
	CCG	Council	Total
	£'000	£'000	£'000
Income and Expenditure			
Contribution to the pooled budget	(18,252)	(1,833)	**(20,085)**
Net expenditure from the pooled budget	12,282	7,803	**20,085**
Surplus / (deficit) to be shared across parties to the pooled budget			**0**
Balance Sheet			
Contribution to the pooled budget	(18,252)	(1,833)	**(20,085)**
Total spend	**(18,252)**	**(1,833)**	**(20,085)**
Cash	18,831	1,772	**20,603**
Debtors	0	61	**61**
Creditors	(579)	0	**(579)**
Cumulative surplus / (deficit)	**0**	**0**	**0**

Children & Young People's Trust (CYPT)

The S75 arrangement between the council, the Brighton and Hove Clinical Commissioning Group (CCG) and the Sussex Community Trust (SCT) to commission and provide education, health and social care services for all 0-19 year olds within the geographical area covered by the council ceased on 31 March 2015.

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

The capital asset charges accounting adjustment, calculated in accordance with the Item 8 credit and Item 8 debit (general) determination for 2015/16 was a debit adjustment of £14.910m. The following table shows the breakdown of this adjustment:

Item 8 Credit and Item 8 Debit (General) Determination		
	2014/15	2015/16
	£'000	£'000
Item 8 Debit		
Depreciation of council dwellings	8,193	9,144
Depreciation of non council dwellings	459	410
Impairment and revaluation losses	1,605	330
Interest payable	5,281	5,251
Debt management costs	58	51
Total Item 8 Debit	**15,596**	**15,186**
Item 8 Credit		
Impairment and revaluation losses adjustments	(740)	(241)
Interest receivable	(33)	(35)
Total Item 8 Credit	**(773)**	**(276)**
Total Item 8 Credit and Item 8 Debit	**14,823**	**14,910**

30 HRA Rent Arrears

At 31 March 2016, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £1.312m (£1.513m 31 March 2015). This represents a decrease in arrears as a proportion of gross rental income from 2.97% to 2.54%.

The following table shows the aggregate provision made by the council in respect of uncollectable debts:

Rent Arrears and other Bad Debts written off		
	2014/15	2015/16
	£'000	£'000
Impairment at 1 April	**1,006**	**1,098**
Change in impairment charged to the HRA	248	147
Rent arrears and other bad debts written off	(156)	(243)
Impairment for Bad Debts at 31 March	**1,098**	**1,002**

31 Collection Fund - Council Tax

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

Council Tax Base				
Band	Estimated number of Chargeable Dwellings	Estimated number of Chargeable Dwellings after Discounts	Band Ratio	Band D Equivalent Dwellings
Band A*	38	31.00	5/9	17.20
Band A	25,568	15,500.25	6/9	10,333.50
Band B	27,229	19,139.00	7/9	14,885.90
Band C	31,169	24,772.00	8/9	22,019.60
Band D	18,260	15,821.75	9/9	15,821.80
Band E	10,573	9,601.25	11/9	11,734.90
Band F	4,440	4,128.00	13/9	5,962.70
Band G	2,578	2,423.00	15/9	4,038.30
Band H	147	138.75	18/9	277.50
				85,091.40
Less provision for losses in collection				(1,457.90)
Tax Base for 2015/16				**83,633.50**
Tax Base for 2014/15				**81,359.20**

** Entitled to disabled relief reduction.*

The estimated gross council tax yield (before the provision for losses in collection) for 2015/16 of £133.468m was based on Band D equivalent dwellings of 85,091.40 multiplied by the average Band D council tax charge of £1,568.52. The actual gross council tax yield for 2015/16 of £135.182m is equivalent to an increase of 1093 Band D dwellings. The estimated and actual tax base amounts will vary due to a number of factors; including the effects of banding appeals, new properties and entitlements to exemptions and discounts. The main reasons for the increase in the council tax base for 2015/16 are lower than forecast council tax reduction discounts as a result of reducing caseload and higher than forecast number of properties.

32 Collection Fund - Non Domestic Rates

Non domestic rates are charged on the basis of the rateable value for business premises multiplied by a non domestic multiplier. The total non domestic rateable value at 31 March 2016 was £266.437m (£266.212m at 31 March 2015). The non domestic multiplier for 2015/16 was 49.3p and the small business non domestic multiplier was 48.0p.

33 Trust Funds

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

Trust Fund Accounts					
Capital Market Value £'000		Revenue Balance 01 April 2015 £'000	2015/16 Expenditure £'000	2015/16 Income £'000	Revenue Balance 31 March 2016 £'000
1,258	Brighton Fund	**(82)**	40	(49)	**(91)**
3,550	Gorham's Gift	**(12)**	136	(68)	**56**
687	Hedgcock Bequest	**(129)**	24	(28)	**(133)**
332	Oliver and Johannah Brown Fund	**(39)**	8	(13)	**(44)**
92	Royal Pavilion and Museums Foundation	**(1,132)**	428	(508)	**(1,212)**
	Other Trusts				
402	Education	**(42)**	9	(16)	**(49)**
131	Music Trust	**(52)**	24	(19)	**(47)**
225	Various Libraries and Museums Bequests	**(154)**	4	(33)	**(183)**
6,677	**Total**	**(1,642)**	**673**	**(734)**	**(1,703)**

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 2016. The council acts as the sole trustee in respect of all funds listed with the exceptions of Gorham's Gift and the Royal Pavilion and Museums Foundation.

Brighton Fund

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

Gorham's Gift

The Gorham's Gift Trust was set up by a wealthy landowner to help maintain the village of Telscombe and the neighbouring area. The major element of the capital market value for Gorham's Gift relates to investment property which was valued at £2.713m as at August 2014. The negative balance on the trust fund relates to cash overdrawn which will be negated in 2016/17 by the sale of investments.

Hedgcock Bequest

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

Oliver and Johannah Brown Fund

The Oliver and Johannah Brown Fund awards grants to residents of Brighton and Hove under the age of 25 who require financial assistance to pursue a recognised course of study where no other form of grant is available. The fund can also assist with materials, clothes and equipment and other costs for those about to enter into an apprenticeship.

Royal Pavilion and Museums Foundation

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

Education Trust

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

Music Trust

The purpose of the Music Trust is to advance education by promoting the study and practice of music among students of all ages within the Brighton and Hove area.

Various Libraries and Museums Bequests

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

Appendix 1
Information on Operating Segments

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

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

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

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

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

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

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

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

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

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

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

Appendix 2
Information on Heritage Assets

The Royal Pavilion

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

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

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

The Volks Railway

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

In 1947, the Brighton Corporation, which became the 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 employees and a summer season team of eight. The railway runs for each summer season and remains the oldest electric railway in Britain. Access to the assets is permitted to scholars for research purposes every day from 8.30am to 5.30pm.

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

West Blatchington Windmill

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

The Mill stands isolated on a central island and in 1979 the building was opened to the public after extensive renovation and restoration by both the council 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 council with the internal restoration, purchase and display of exhibits and opening to visitors carried out by the Friends of West Blatchington Windmill.

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

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

Rottingdean Windmill

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

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

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

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

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

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

Collections and Rare Books

The Collections heritage assets consist of the following:

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

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

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

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

Appendix 3
2015/16 Corporate KPIs mapped to Corporate Plan 2015/19

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Children's Services			
1	Schools are judged to be good or outstanding by OFSTED	Quarterly	Children &Young People 1: Providing high quality education that creates skills for work. Also Economy, Jobs and Housing 2: Improving local educational attainment and local access to skills training so that everyone can benefit from economic prosperity.
2	All Pupils: Key Stage 2 Level 4+ in Reading, Writing and Maths	Annual	
3	All pupils: 5 or more A*-C GCSE including English and Maths	Annual	
4	Free School Meals Pupils: Key Stage 2 Level 4+ in Reading, Writing and Maths	Annual	
5	Free School Meals Pupils: 5+ A* - C grades in GCSEs including English and Maths	Annual	
6	Overall absence in maintained and academy primary schools	Quarterly (Termly)	
7	Overall absence in maintained and academy secondary schools	Quarterly (Termly)	
8	Young people 16 – 18 not in education, employment or training	Annual	
9	Young people participating in youth activities	Quarterly	Children &Young People 3: Helping children and young people access appropriate social and cultural opportunities to become active and responsible citizens.
10	Children in care at the end of KS4 achieving 5+ A-C including English and Maths	Annual	Children &Young People 4: Creating the best opportunities for children and young people in care, fulfilling the role as a council of good corporate parent.
11	Care leavers not in education, employment or training	Annual	
12	Special Educational Needs pupils: 5+ A* to C grades in GCSEs including English and Maths	Annual	Children & Young People 6: Working in strong partnerships across the city, for example in relation to integrated services for children with special educational needs or with a disability.
13	Stronger Families Stronger Communities [SFSC] families 'turned around'	Quarterly	Children & Young People 5: Ensuring that, where children and families require support, the council provides early help services that make a difference.
14	Proportion of children living in poverty	Annual	

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Children's Services			
15	Re referrals to the Multi Agency Safeguarding Hub and Assessment Centre	Monthly	Children & Young People 5: Ensuring that, where children and families require support, the council provides early help services that make a difference. Also Health and Well Being 5: Safeguarding the most vulnerable children and adults from neglect and harm.
16	Children who were the subject of a child protection plan per 10,000	Quarterly	Children &Young People 2: Keeping children and young people safe, at home and in learning and social environments.
17	Children who are looked after per 10,000	Quarterly	
18	Children who receive 2-2.5 year health visiting review	Quarterly	

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Public Health			
1	Police recorded total crime	Quarterly	Community Safety & Resilience 1: Working with and empowering communities to prevent crime and disorder, including discrimination, hate crime, anti social behaviour and domestic and sexual violence.
2	Violent crimes with injury (proxy for alcohol related crime)	Quarterly	
3	Percentage of hate crimes that result in a prosecution	Quarterly	
4	Percentage of finalised domestic violence prosecutions resulting in a conviction	6 monthly	
5	Prosecutions for sexual violence that resulted in a conviction	Quarterly	
6	Percentage of offenders who reoffend from a rolling 12 month cohort	Annual	Community Safety & Resilience 2: Reducing risk and harm for those who are subjected to crime and disorder and working to address the risk factors and behaviours of perpetrators.
7	First time entrants to the youth justice system	Quarterly	
8	The percentage of people feeling safe in the daytime in their local area (City Tracker)	Annual	Community Safety & Resilience 4: Maintaining physically safe and inclusive neighbourhoods that encourage community activity and social action, making the most of the city's open spaces and ensuring road safety.
9	The percentage of people feeling safe after dark in their local area (City Tracker)	Annual	
10	Alcohol related hospital admissions per 100,000 population	Monthly	Health and Well Being 1: Promoting healthy choices and lifestyles to

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Public Health			
11	Number of drug related deaths	Annual	prevent long term health conditions.
12	Smoking prevalence among over 18's	Annual	
13	Prevalence of breast feeding at 6-8 weeks from birth	Quarterly	
14	Under 18 conception rate per 1000 women as measured by reduction from baseline	Quarterly	
15	Excess weight in adults	Annual	
16	Nitrogen dioxide levels in Brighton and Hove (µg/m3 - micrograms per cubic meter) Lewes Road	Quarterly	Environmental Sustainability 4: Improving the sustainability of the council's transport infrastructure and reducing the need to travel through improved digital infrastructure.
17	Nitrogen dioxide levels in Brighton and Hove (µg/m3 – micrograms per cubic meter) North Street	Quarterly	
18	Nitrogen dioxide levels in Brighton and Hove (µg/m3 – micrograms per cubic meter) Rottingdean	Quarterly	

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Adult Services			
1	Percentage of social care clients receiving self directed support	Monthly	Health and Well Being 4: Providing better care services for older and vulnerable people, focused on personal choice and staying independent.
2	Percentage of carers who receive an assessment and services or advice/information	Quarterly	
3	Permanent admissions of older adults (65+) to residential and nursing care homes per 100,000 population	Quarterly	
4	Permanent admissions of younger adults to residential and nursing care homes per 100,000 population	Quarterly	
5	Delaying and reducing the need for care and support; outcome of short term services.	Quarterly	
6	Delayed transfers of care per 100,000 population	Monthly	
7	Delayed transfers of care attributable to social care	Quarterly	
8	Safeguarding quality audits that demonstrate a personalised approach	Quarterly	Health and Well Being 5: Safeguarding the most vulnerable children and adults from neglect and harm.
9	Percentage of adults with learning disabilities known to the council in paid employment	Quarterly	

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
10	Percentage of adults receiving secondary mental health services who are in paid, self or supported employment	Annual	
11	Telecare: proportion of care packages that include Telecare as an element	Quarterly	
12	Reduction in numbers of people held in police cells under Mental Health Act Section 136	Annual	

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Environment Development & Housing			
1	Kilograms of residual waste per household	Monthly	Environmental Sustainability 1: Promoting and delivering a broader understanding of sustainability for the city and public services that aims to protect the future of the environment and communities together.
2	The percentage of household waste sent for reuse, recycling and composting	Monthly	
3	The percentage of municipal waste landfilled	Monthly	
4	Missed refuse collections per 100,000 population	Monthly	
5	Missed recycling collections per 100,000 population	Monthly	
6	Percentage of people who agree that they will have enough money, after housing costs, to meet basic living costs (City tracker)	Annual	
7	Percentage of households that experience fuel poverty based on the "low income, high cost" methodology	Annual	Environmental Sustainability 3: Protecting water and energy security for the city, including measures to improve the energy efficiency of housing stock and its impact on the environment.
8	Carbon dioxide emissions per capita	Annual	
9	The number of households where homelessness was prevented due to casework by the council	Quarterly	Health and Well Being 6: Ensuring the city's housing stock is well managed and good quality, to support independence, health and wellbeing, and avoid homelessness.
10	Private sector vacant dwellings returned into occupation or demolished	Quarterly	Health and Well Being 6: Ensuring the city's housing stock is well managed and good quality, to support independence, health and wellbeing, and avoid homelessness. Also

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Environment Development & Housing			
11	Percentage of new affordable housing that meets the wheelchair standard	Annual	Economy, Jobs and Housing 4: Investing in existing and new housing stock which supports residents and families to live independently, in decent accommodation.
12	Decent homes - % council homes that meet the decent homes standard	Quarterly	
13	The number of bus passenger journeys originating in the local authority area (millions)	Annual	Environmental Sustainability 4: Improving the sustainability of the council's transport infrastructure and reducing the need to travel through improved digital infrastructure.
14	Overall user satisfaction score with highways & transport (against local importance)	Annual	
15	Average daily cycle count	Annual	Environmental Sustainability 4: Improving the sustainability of the council's transport infrastructure and reducing the need to travel through improved digital infrastructure. Also Health and wellbeing 2 : Encouraging leisure activity, outdoor recreation and active travel as part of good physical and mental health and making the most of the city's unique cultural and natural offer.
16	Children travelling to school - mode of transport	Annual	
17	Reduction in the number of adults and children killed or seriously injured in road traffic incidents	Annual	Community Safety & Resilience 4: Maintaining physically safe and inclusive neighbourhoods that encourage community activity and social action, making the most of the city's open spaces and ensuring road safety.
18	The percentage of people satisfied or very satisfied with the city's parks and open spaces (City Tracker)	Annual	Environment & Sustainability 2: Use the council's international UN Biosphere Reserve status and the South Downs National Park to promote the city region as a unique destination for its natural environments.
19	Employment rate	Annual	Economy, Jobs and Housing 1: Working with the council's Greater Brighton city region partners to build sustainable growth and investment, increasing economic resilience and generating more, higher-paid jobs.
20	Percentage of the working age population claiming out of work benefits	Annual	
21	Growth in the number of businesses	Annual	
22	Number of businesses paying the living wage	Annual	

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Environment Development & Housing			
23	Growth in the number of Jobs (City and the Greater Brighton City Region)	Annual	
24	Growth in private sector jobs (City and the Greater Brighton City Region)	Annual	
25	Growth in gross value added per head - gross value added (GVA) measures the value of goods and services produced in an area, industry or sector of an economy.	Annual	
26	The supply of ready to develop housing sites	Annual	Economy, Jobs and Housing 3: Bringing about quality development to enable sustainable growth, addressing the need for better business space, affordable homes and student accommodation across the city region.
27	The number of building commencements	Monthly	
28	The number of planning applications registered	Monthly	
29	Number of affordable homes delivered per year - new build and conversions	Annual	
30	The number of enforcement notices issued regarding the appearance of sites/buildings in the city	Annual	
31	Housing tenants: rent collected as proportion of rent due	Monthly	Environmental Sustainability 1: Promoting and delivering a broader understanding of sustainability for the city and public services that aims to protect the future of the environment and communities together.

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Finance & Resources			
1	Formal complaints per 10,000 population	Monthly	Citizen Focussed 1: Knowing what drives demand for public services by engaging with the city's diverse communities and understanding how effective services are in meeting their needs.
2	% of Stage 1 organisational complaints	Monthly	
3	% of Stage 2 organisational complaints	Monthly	
4	Number of compliments received	Annual	
5	Number of comments received	Annual	
6	Percentage of invoices for commercial goods and services that were paid within 30 days	Monthly	Public Accountability 4: Strengthening the council's partnership delivery arrangements and building collaborative, trustful and empowering relationships between the council and citizens.

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Finance & Resources			
7	Average number of working days and shifts lost per full time equivalent (FTE) due to sickness absence (not including schools)	Monthly	Public Accountability 1: Upholding the democratic principles of the council's constitution, ensuring the council represents and reflects communities and citizens who elect councillors and pay council tax.
8	Capital receipts: the annual level of capital receipts secured from surplus and under-performing assets	Annual	
9	Percentage of staff who declare that they have a disability as a percentage of the total workforce who declare whether they have a disability (not including schools)	Annual	Increasing equality 2: Ensuring people are not discriminated against because of their identity, such as their age, gender identity, ethnicity, sexual orientation, disability or religion or belief.
10	Percentage of staff who declare themselves as black and minority ethnic (BME) (excludes white Irish and white other)	Annual	
11	Percentage of staff who declare themselves as white other	Annual	
12	Percentage of staff who declare themselves as white Irish	Annual	
13	Percentage of employees whose ethnicity status is not known	Annual	
14	Percentage of employees whose disability status is not known	Annual	
15	Percentage of employees whose sexual orientation is not known	Annual	
16	Percentage of staff who declare themselves to be lesbian, gay, bisexual and transgender (LGBT)	Annual	
17	Percentage of employees responding that they have experienced discrimination or harassment or bullying in the last 12 months	Annual	
18	Number of disciplinary cases – non schools	Annual	Public Accountability 2: Demonstrate that the council learns from its actions, reviewing and evaluating performance to address things that work well and those that do not.
19	Number of grievance cases	Annual	
20	Implementation of agreed management action to recommendations made	Annual	
21	Percentage reduction in the greenhouse gas emissions from local authority operations (CO2e, degree day adjusted)	Annual	Environmental Sustainability 1: Promoting and delivering a broader understanding of sustainability for the city and public services that aims to protect the future of the environment and communities together.

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Assistant Chief Executive			
1	Placeholder: equalities impact assessment progress indicator	Quarterly	Increasing Equality 3: Understanding the city's growing and diverse population, changing the council's approaches to engagement and public services accordingly.
2	Residents that think, overall, that Brighton & Hove City Council keeps residents well informed about the services and benefits it provides (City Tracker)	Annual	
3	Residents that very strongly or fairly strongly feel they belong to their immediate neighbourhood (City Tracker)	Annual	Community Safety & Resilience 3: Protecting communities and victims, promoting good relations between communities and diverse groups.
4	Residents that definitely or tend to agree that your local area is a place where people from different backgrounds get on well together (City Tracker)	Annual	
5	Have you attended any creative, artistic, theatrical or musical events in the past 12 months? (City tracker)	Annual	Health and wellbeing 2 : Encouraging leisure activity, outdoor recreation and active travel as part of good physical and mental health and making the most of the city's unique cultural and natural offer.
6	Visitor numbers	Annual	Health and Well Being 6: Promoting leisure and active travel as part of good physical and mental health, making the most of the city's unique cultural and natural attractions. Also Economy, Jobs and Housing 5: Using the council's international UN Biosphere Reserve status and the council's cultural offer to promote the city region as a unique, international destination.

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Legal and Democratic Services			
1	Whistle blowing allegations received	Quarterly	Public Accountability 2: Demonstrate that the council learns from its actions, reviewing and evaluating performance to address things that work well and those that do not.

Brighton & Hove City Council

Statement of Accounting Policies 2015/16

Statement of Accounting Policies Contents

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the council's transactions for the reported financial year and its position at the year end. The council is required to prepare an annual Statement of Accounts (ie financial statements) by the Accounts and Audit Regulations 2015, which require the financial statements to be prepared 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 CIPFA *Service Reporting Code of Practice* (SeRCOP) for Local Authorities supported by International Financial Reporting Standards (IFRS).

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

2. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Changes in accounting estimates are accounted for prospectively (ie in the current and future financial years affected by the change) and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3. Accounting Concepts

The Code specifies many of the accounting policies and estimation techniques to be adopted for material items within the financial statements. In preparing information for the financial statements, the council has regard to the following underlying assumptions and qualitative characteristics:

- **Relevance** – the financial statements are prepared with the objective of providing information about the council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions;
- **Materiality** – the concept of materiality has been utilised in preparing the financial statements (ie if omitting or misstating information would affect the interpretation of the financial statements and influence decisions that users make);
- **Faithful Representation** – the financial information included in the financial statements is complete within the boundaries of materiality, free from material error and free from deliberate or systematic bias;

- **Comparability** – the financial statements are prepared in accordance with the requirements of the Code which establishes proper practice in relation to consistent financial reporting and aids comparability with other local authorities;
- **Verifiability** – the financial information included in the financial statements faithfully represents the financial position, performance and cash flows of the council. The council includes explanations and disclosures of the judgements, assumptions, methodology and other factors and circumstances in preparing its financial statements;
- **Timeliness** – the information included in the financial statements is available to decision makers in time to be capable of influencing their decisions;
- **Understandability** – the financial statements are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to ensure that the financial information included in the financial statements is presented clearly and concisely and notes and commentaries are provided that explain and interpret the key elements of the financial statements for the user;
- **Going Concern** – the financial statements are prepared on the assumption that the functions of the council will continue in operational existence for the foreseeable future.

4. Fair Value Measurement

The council measures some of its non financial assets and financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participates at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in either:

- the principal market for the assets or liability; or,
- in the absence of a principal market, the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

5. School Transactions

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

6. Grants and Contributions

Whether paid on account, by instalments or in arrears, grants and contributions are recognised as due to the council when there is reasonable assurance that the council will comply with the conditions attached to the payments and the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the CIES until conditions attached to the grant or condition have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or condition are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Revenue grants or contributions received for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service (in respect of attributable revenue grants and contributions) or taxation and non specific grant income and expenditure (in respect of non ring fenced revenue grants) within the CIES.

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

Capital grants or contributions received for which conditions have not been satisfied are carried on the Balance Sheet as capital grants receipts in advance. When the conditions are satisfied, the grant or contribution is credited to taxation and non specific grant within the CIES.

Where capital grants or contributions are credited to the CIES, they are reversed out of the General Fund / HRA balance in the MiRS. Where the grant or contribution has yet to be used to finance capital expenditure it is posted to the capital grants unapplied reserve; where it has been applied, it is posted to the CAA. Amounts in the capital grants unapplied reserve are transferred to the CAA once they have been applied to fund capital expenditure.

7. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

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

- revenue from the sale of goods is recognised when the amount of revenue can be measured reliably, the significant risks and rewards of ownership are transferred to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the council;
- revenue from the provision of services is recognised when the council 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 council and the stage of completion of the service can be measured;

- 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 in relation to services received are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for retrospectively 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.

8. Charges to Revenue for Non Current Assets

Services and support services are debited with the following amounts to record the cost of holding non current assets during the financial 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 council 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 council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund / HRA balance (MRP), by way of an adjusting transaction with the CAA in the MiRS for the difference between the two.

9. Tax Income (Council Tax and Non Domestic Rates)

Council Tax

The council collects and distributes council tax under what is in substance an agency arrangement, the cash collected by the council from council tax belongs proportionately to the council and the major preceptors. There will therefore be a debtor or creditor position between the council and each major preceptor to be recognised since the net cash paid to each major preceptor in the financial year will not be its share of cash collected from council taxpayers. If the net cash paid to a major preceptor is more than its proportionate share of net cash collected from council tax debtors / creditors, the council recognises a debit adjustment for the amount overpaid to the major preceptor. Similarly, if the cash paid to a major preceptor is less than its proportionate share of net cash collected in the financial year from council tax debtors or creditors, the council recognises a credit adjustment for the amount underpaid to the major preceptor.

The Cash Flow Statement includes within operating activities only the council's own share of council tax net cash collected from council tax debtors; 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 financial year's surplus or deficit on the Collection Fund is included as financing activities within the Cash Flow Statement.

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

Non Domestic Rates

The council collects non domestic rates income under what is in substance an agency arrangement; the cash collected by the council from non domestic rates taxpayers belongs proportionately to the council, central government (by means of its central share) and its major preceptor. There will therefore be a debtor or creditor position between the council, central government and the major preceptor to be recognised since the net cash paid to central government and the major preceptor will not be its share of cash collected from non domestic rates taxpayers. If the net cash paid to central government or the major preceptor is more than its proportionate share of net cash collected from non domestic rates taxpayers, the council recognises a debit adjustment for the amount overpaid to central government or the major preceptor in the financial year. If the cash paid to central government or the major preceptor is less than its proportionate share of net cash collected from non domestic rates taxpayers, the council recognises a credit adjustment for the amount underpaid to central government or the major preceptor in the financial year.

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

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

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

10. Value Added Tax (VAT)

The CIES excludes amounts relating to VAT and 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 within the CIES.

The net amount due to or from HMRC in respect of VAT is included as a creditor or debtor on the Balance Sheet.

11. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on demand. The council defines cash equivalents as highly liquid 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 council 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.

Within 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 council's cash management strategy.

The council uses the indirect method to present its revenue activities cash flows, whereby the net surplus or 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.

12. Employee Benefits

Benefits Payable during Employment

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 and non monetary benefits for current employees. They are recognised as an expense for services in the financial year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by the employees but not taken before the year end which employees can carry forward in the next financial year, being the year in which the employee takes the benefit. The accrual is charged to services within the CIES, but then reversed out through the MiRS to the accumulated absences account so that holiday entitlements are charged to revenue in the year in which the leave absence occurs.

Termination Benefits

When the council is demonstrably committed to the termination of the employment of an employee or making an offer to encourage voluntary redundancy, the costs of termination benefits are charged on an accruals basis to the respective service within the CIES, this is at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund / HRA balance to be charged with the amount payable by the council to the pension fund or pensioner in the financial year, not the amount calculated according to the relevant accounting standards. In the MiRS, transfers 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.

Post Employment Benefits

Pension schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, arrangements for the Teachers' and NHS pension schemes mean that liabilities for these benefits cannot ordinarily be identified specifically for the council and are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits is recognised on the Balance Sheet. Within the CIES children's and education services and public health services are charged respectively with the employer's contributions payable to Teachers' Pension and NHS Pensions in the financial year.

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the pension scheme attributable to the council are included on the Balance Sheet on an actuarial basis. The basis of calculation is the projected unit method (ie 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 earnings for current employees).

Liabilities are discounted to their present value, using a discount rate (determined in reference to market yields at the Balance Sheet date of high quality bonds).

The assets of the pension scheme attributable to the council are included on the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price;
- property – market value.

The change in the net pension liability of the council is analysed into the following components:

- service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned in the current financial year – this cost is allocated within the CIES to the services for which the employees worked;
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier financial years – this cost is debited to non distributed costs within the CIES;
    - net interest on the net defined benefit liability (ie net interest expense for the council) – the change during the financial year in the net defined benefit liability that arises from the passage of time calculated by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the financial year taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit payments – this is charged to financing and investment income and expenditure within the CIES;
- remeasurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – these are charged to other comprehensive income and expenditure within the CIES and to the pensions reserve;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – these are charged to other comprehensive income and expenditure within the CIES and to the pensions reserve;
- contributions paid to the pension scheme – cash paid as employer's contributions to the scheme in settlement of liabilities – these are charged to services within the CIES.

In relation to retirement benefits, statutory provisions require the General Fund / HRA balance to be charged with the amount payable by the council to the pension scheme or directly to pensioners in the financial year, not the amount calculated according to the relevant accounting standards. Transfers are made through the MiRS to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension scheme and pensioners and any such amounts payable but unpaid at year end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund / HRA balance of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The council 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 financial 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.

13. Provisions

Provisions are made where an event has taken place whereby the council has a legal or constructive obligation that probably requires settlement by 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. For example, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service within the CIES in the year that the council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the year end. Where it becomes less than probable that a transfer of economic benefits will now be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service within the CIES.

14. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover general contingencies and cash flow management.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service within the CIES. The reserve is then transferred back to the General Fund / HRA balance in the MiRS so that there is no net charge against council tax for the expenditure.

The category of unusable reserves includes those reserves which are kept to manage the accounting processes for non current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the council; these reserves are covered in the relevant accounting policies and explained in the relevant notes.

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

15. Contingent Liabilities and Contingent Assets

Contingent Liabilities

The council recognises a contingent liability where an event has taken place that gives the council a possible obligation which has arisen from past events whose existence has been confirmed by the occurrence of one or otherwise of uncertain future events not wholly within the council's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised on the Balance Sheet but are disclosed as a note to the financial statements.

Contingent Assets

The council recognises a contingent asset when an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the council's control.

Contingent assets are not recognised on the Balance Sheet but are disclosed as a note to the financial statements.

16. Overheads and Support Services

The costs of central and departmental overheads (ie management and administration costs) and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of CIPFA's SeRCOP. The council 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 council'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 within the CIES, as part of cost of services.

17. Property, Plant and Equipment (PPE)

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 PPE.

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense to the relevant service within the CIES as it is incurred.

The council 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 service within the CIES in the year they are incurred. In certain cases, the council capitalises particular items of expenditure that is below its deminimis level (eg expenditure funded by grant where the conditions state that the grant should only be applied to capital items of expenditure). The council has no deminimis level for enhancement expenditure and therefore all enhancement expenditure is capitalised.

Measurement

PPE assets are initially measurement at cost comprising 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 council, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The costs of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the council).

Assets are then carried on the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;

- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- assets where there is no market based evidence of fair value because of their specialist nature and the asset is rarely sold (eg schools) – depreciated replacement cost is used as an estimate of current value;
- surplus assets – current value measurement base is fair value estimated at highest and best use from a market participant's perspective;
- non property assets that have short useful lives or low values (or both) (ie vehicles, plant and equipment) – depreciated historical cost is used as a proxy for current value;
- all other assets (ie other land and buildings) – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the end of the financial year, but as a minimum every five years.

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 revalued downwards to nil.

Increases in valuation are matched by credits to the revaluation reserve to recognise unrealised gains, unless the increase is reversing a previous revaluation decrease or impairment loss charged to services within the CIES in respect of the asset in which case the revaluation increase may be credited to the CIES.

Decreases in valuations are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service within the CIES.

Revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the CAA. HRA revaluation gains and losses are actual charges to the HRA balance.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, being the date of its formal implementation. Gains arising before that date have been consolidated into the CAA.

At the end of each financial year, assets are assessed 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.

The council recognises impairment on assets carried at a revalued amount and historical cost.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains);
- where there is no balance for the asset in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service within the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service within the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Impairment losses and reversals are not permitted by statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the CAA. HRA impairment losses and reversals are actual charges to the HRA balance.

Depreciation

Depreciation is applied to all PPE assets, except for assets without a determinable finite useful life (ie freehold land and community assets) and assets that are not yet available for use (ie assets under construction).

The depreciation charge is based on the depreciable amount allocated over the useful life of the asset, using a straight line allocation method and is charged to the relevant services within the CIES.

General Fund depreciation charges are not permitted by statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the CAA.

HRA depreciation is a proper charge to the HRA however the impact on balances is mirrored by an equal increase in the major repairs reserve (effectively a transfer from revenue to capital).

The council 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 from the revaluation reserve to the CAA.

Disposals and Assets Held for Sale

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 council 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 income and expenditure within the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised within the CIES. Depreciation is not charged on assets held for sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The receipts are required to be credited to the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are credited to the CIES and subsequently transferred to the capital receipts reserve from the General Fund / HRA balance in the MiRS. Amounts received for a disposal below £10,000 are credited to the CIES.

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

Asset Componentisation

The council only considers assets for componentisation in the financial year the assets are valued and / or in the year following capital investment being incurred on the asset. As the council does not depreciate assets in the year of acquisition, capital additions are not considered for componentisation until the following financial year.

The council has a deminimis threshold of £10m for componentising General Fund assets; individual assets with a gross book value of less than £10m are disregarded for componentisation. The deminimis level is reviewed on an annual basis. The componentisation of the council's housing stock is considered separately on an annual basis.

Componentisation is only applied to building elements of assets categorised as PPE and that are subject to depreciation. Vehicles, plant and equipment assets are not componentised 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. The council does not currently consider infrastructure assets for componentisation.

In respect of components, the carrying amount of a replaced part of the asset is derecognised, with the carrying amount of the new component being recognised subject to the recognition principles being met. Where it is not practicable to determine the carrying amount of the replaced part, the council uses the cost of the new part as an indication of what the cost of the replaced part was at the time it was acquired or constructed (adjusted for depreciation and impairment, if required).

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

18. Heritage Assets

The majority of the council's heritage assets are reported on the Balance Sheet at current insurance valuations. Acquisitions are recognised at cost. As heritage assets are deemed to have indeterminable lives and high residual value, the council does not charge depreciation for these assets.

Revaluations, disposals and impairments are accounted for in accordance with the respective policies for PPE.

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

19. Leases and Lease Type Arrangements

The council classifies leases as either finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. A lease is classified as a finance lease where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for 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.

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.

The council 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 in return for a payment or series of payments. Such arrangements are accounted for under this policy where 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 (ie the right to control the use of the underlying asset).

The Council as Lessee - Finance Leases

PPE held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. The discount rate used is the rate implicit in the lease or, if it is not practicable to determine, the council uses its incremental borrowing rate. Any initial direct costs are added to the value of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

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

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

PPE recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council is not required to use council tax to cover depreciation or revaluation or impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue towards the deemed capital investment in accordance with statutory arrangements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund / HRA balance (MRP), by way of an adjusting transaction with the CAA in the MiRS for the difference between the two.

The Council as Lessee - Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased asset.

The Council as Lessor - Finance Leases

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

As lessor, the council 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 within the CIES). The finance income is calculated so as to produce a constant periodic rate of return on the net investment; the council uses approximation to allocate lease payments between the repayment of principal and finance income.

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund / 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 / HRA balance to the capital receipts reserve in the MiRS. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund / HRA balance to the deferred capital receipts reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

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

The Council as Lessor - Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. As lessor, the assets are accounted for in accordance with the council's PPE policy.

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 and credited to other operating income and expenditure within the CIES.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

20. Private Finance Initiative (PFI)

PFI contracts are contractual arrangements between the council and an operator where responsibility for providing public services, using assets provided either by the operator or the council, passes to the operator for a specified period of time. As the council is deemed to control or regulate the services that are provided under its PFI schemes, and as ownership of the assets will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of PPE.

Recognition

The PPE asset and related liability are recognised at the same time being the point that it is probable that future economic or service benefits associated with the asset will flow to the council; and at the point that the cost of the asset can be measured reliably. This is when the asset is made available for use unless the council bears an element of the construction risk. Where this is the case, the council 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 council. Separate assets are recognised in respect of land and buildings where appropriate.

PPE assets in relation to PFI arrangements recognised on the Balance Sheet are accounted for using the policies applied generally to other PPE owned by the council.

Measurement

For assets owned by the council prior to the PFI 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 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. The interest element is charged as incurred to financing and investment income and expenditure within the CIES, with the balance of the payment used to reduce the outstanding liability on the Balance Sheet. Subsequent to initial recognition, the asset is measured following the council's principles for assets acquired under a finance lease. The liability is measured in a similar manner to the liability resulting from a finance lease. The liability is reported as a financial liability but is measured under the *leases* accounting policy.

Where a PFI arrangement cannot be separated into a service element and a construction element, the asset and related liability are measured initially at the fair value of the asset. In this case, subsequent to initial recognition, the asset is measured following the council's principles for assets purchased or constructed by the council. Where the PFI arrangement cannot be separated into construction and service elements, the amounts payable to the operator each year (ie the total unitary payment) are analysed into three elements:

- the service charge element – the fair value of the services received during the financial year – charged to the relevant service within the CIES;
- repayment of the liability – applied to write down the Balance Sheet liability to the PFI operator;
- interest element – an interest charge (using the interest rate implicit in the contract) on the outstanding Balance Sheet liability, charged to financing and investment income within the CIES. Where it is not possible to determine the rate implicit in the contract, the council 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.

Prepayments and Capital Contributions

Where PFI 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 asset 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.

Income Received

The council recognises any income received as a result of a revenue sharing clause with a PFI arrangement as it is earned. The council also recognises any income due from the operator under a PFI arrangement as it is earned over the life of the agreement.

21. Investment Property

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

Property that is used in any way to facilitate the delivery of services or production of goods or is held for sale is not classified as investment property.

Investment property is measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non financial asset, investment property is measured at the highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to financing and investment income and expenditure within the CIES. The same treatment is applied to gains and losses on disposal. However, General Fund revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the CAA and (for any sale proceeds greater then £10,000) the capital receipts reserve. HRA revaluation and disposal gains and losses are an actual charge to the HRA balance.

The council considers investment property for componentisation purposes under the componentisation policy for PPE.

Rentals received in relation to investment properties are credited to financing and investment income and expenditure within the CIES.

22. Intangible Assets

Expenditure on intangible assets is capitalised when it is probable that the expected future economic benefits or service potential attributable to the asset will flow to from the intangible asset to the council.

Intangible assets are measured initially at cost. Expenditure incurred on an intangible asset after it has been recognised is charged to services within the CIES as it is incurred.

Where the council acquires (either in full or in part) an intangible asset by the way of a government grant, both the asset and the grant or contribution are recognised initially at fair value.

As there is no active market for the council's intangible assets, they are carried at amortised cost.

The council amortises intangible assets with a finite useful life over their expected useful life, using a straight line allocation method. The provision of amortisation is charged to the relevant service within the CIES. The amortisation charge is not permitted to have an impact on the General Fund / HRA balance and therefore is reversed of the General Fund / HRA balance in the MiRS and posted to the CAA.

The council does not charge amortisation in the year of acquisition but does charge a full year's amortisation in the year of disposal.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from the asset. The gain or loss is recognised as other operating income and expenditure within the CIES. The gain or loss is not a proper charge to the General Fund / HRA balance therefore the amount of disposal proceeds (ie capital receipt) is credited to the capital receipts reserve with the write out of the asset being debited to the CAA. The cost of disposal in relation to the General Fund remains as a charge to the CIES against the General Fund balance; however, HRA disposal costs are met from capital receipts.

23. Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure (eg grants and expenditure on property not owned by the council) incurred by the council 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 / HRA balance and impact on council tax.

Such expenditure is charged to the relevant service within the CIES. The council accounts for this statutory provision that allows capital resources to meet the expenditure by debiting the CAA and crediting the General Fund / HRA balance with the transfer being reported in the MiRS.

24. Financial Assets and Liabilities - Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges for interest payable are charged to financing and investment income and expenditure within the CIES and are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument; for most cases this means that the amount presented on the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the loan agreement in the financial year.

The council derecognises a financial liability when it is extinguished (ie when the obligation specified in the contract is discharged, cancelled or expires).

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the financing and investment income and expenditure line within the CIES in the year of repurchase or 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 and discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged or debited to the CIES, regulations allow the impact on the General Fund / HRA balance to be spread over future years. The council has a policy of spreading the gain and 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 amounts charged to the CIES and the net charge required against the General Fund / HRA balance is managed by a transfer to or from the financial instruments adjustment account with the adjustment reported in the MiRS.

Financial Assets

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits for interest receivable are credited to financing and investment income and expenditure within the CIES and are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument; for most of the loans that the council has made, this means that the amount presented on the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the loan agreement in the financial year.

Where assets are impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or financing and investment income and expenditure within the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on derecognition of the asset are credited or debited to financing and investment income and expenditure within the CIES.

Available for Sale Financial Assets

Available for sale assets are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value.

Assets are maintained on the Balance Sheet at fair value; values are based on the following techniques:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments - discounted cash flow analysis.

Where the asset has fixed or determinable payments, annual credits for interest receivable are credited to financing and investment income and expenditure within the CIES and are 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 (eg dividends) is credited to the CIES when it becomes receivable by the council.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly;

- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the available for sale financial instruments reserve and the gain or loss is recognised as surplus or deficit on revaluation of available for sale financial assets within the CIES. The exception is where impairment losses have been incurred which are debited to financing and investment income and expenditure within the CIES along with any net gain or loss for the asset accumulated in the available for sale financial instruments reserve.

Where assets are impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to financing and investment income and expenditure within the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains or losses that arise on derecognition of the asset are credited or debited to financing and investment income and expenditure within the CIES, along with any cumulated gains or losses previously recognised in the available for sale financial instruments reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Debt Redemption

The council sets aside a statutory amount each year from its General Fund for debt redemption, in the form of a minimum revenue provision (MRP), as required by the Local Authority (Capital Finance and Accounting) regulations. Guidance issued by the Secretary of State requires Full Council to approve an annual statement on the amount of debt that will be repaid in a financial year. The guidance identifies four options for calculating the MRP and the council determines which option it will adopt.

For debt where the Government provides revenue support, the council 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 council sets aside a sum equivalent to repaying debt over the life of the asset in equal annual instalments.

For finance leases and on Balance Sheet PFI contracts, the MRP requirement is regarded as met by a charge equal to the element of the lease payment or unitary charge that is applied to write down the Balance Sheet liability in the financial year.

In addition, the council 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 council.

25. Events after the Reporting Period

Events after the end of the reporting period are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the financial statements are authorised for issue. Two types of events can be identified:

- adjusting events - those events that provide evidence of conditions that existed at the end of the financial year. In this instance, the financial statements are adjusted to reflect such events;
- non adjusting events - those events that are indicative of conditions that arose after the year end. In this instance, the financial statements are 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.

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

26. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to use the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the council in conjunction with other joint operators involve the use of the assets and resources of those joint operators rather than the establishment of a separate entity. All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. The council recognises on its Balance Sheet only its share of the jointly controlled assets and related liabilities. Within the CIES, the council only recognises those expenses it incurs on its behalf or jointly with others in respect of its interest in the joint operation and income that it earns from the activity of the operation.

Brighton & Hove City Council

Independent Auditor's Report 2015/16

Independent auditor's report to the members of Brighton & Hove City Council

Opinion on the Authority's financial statements

We have audited the financial statements of Brighton & Hove City Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. 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, the Collection Fund Statement and the related notes 1 to 33.

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 2015/16.

This report is made solely to the members of Brighton & Hove City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Brighton & Hove City Council and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director, Finance & Resources and auditor

As explained more fully in the Statement of the Executive Director, Finance & Resources Responsibilities set out on page 21, the Executive Director, Finance & Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director, Finance & Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Financial Statements 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Brighton & Hove City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Brighton & Hove City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Brighton & Hove City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Brighton & Hove City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Brighton & Hove City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Delay in issue of Audit Certificate

We cannot formally conclude the audit and issue an audit certificate until we have resolved the accepted objection regarding the Authority's Lender Option Borrower Option loans. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Paul King

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
29 September 2016

Brighton & Hove City Council

Glossary of Terms 2015/16

Glossary of Terms

Accounting Policies are the specific principles, bases, conventions, rules and practices applied by the council in preparing and presenting its financial statements.

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 year in which those effects are experienced and not necessarily in the period in which any cash is received or paid.

The **Accumulated Absences Account** absorbs the differences that would otherwise arise on the General Fund /HRA balance from accruing for employees' paid absences earned but not taken in the year (eg annual leave entitlement carried forward at 31 March).

Actuarial Gains and Losses (Pensions) are changes in the present value of the defined benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

Amortisation is a method of allocating the cost of a intangible asset over its useful life.

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 (ie 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 or impairment or uncollectability.

An **Asset** is a resource controlled by the council as a result of past events and from which future economic or service potential is expected to flow to the council.

An **Assets Held for Sale** is a non current asset that meets the following criteria:

- the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale is highly probable; the appropriate level of management are committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated;
- the asset is being actively marketed for a sale at a price that is reasonable in relation to its current fair value;
- the sale is expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

An **Audit of Financial Statements** is an examination by an independent expert of the council's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

An **Available for Sale Financial Asset** is a non derivative financial asset that is not classified as loans and receivables, held to maturity investments or held for trading.

The **Available for Sale Financial Instruments Reserve** records the unrealised revaluation gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments.

The **Balance Sheet** shows the value of the assets and liabilities recognised by the council as at the Balance Sheet date.

Benefits Payable during Employment covers:

- short term employee benefits, such as wages and salaries, paid annual leave and paid sick leave and non monetary benefits for current employees;
- benefits earned by current employees but not expected to be settled wholly before 12 months after the year end in which the employees render the related service, such as long service leave and long term disability benefits.

A **Budget** expresses the council's service delivery plans and capital investment programmes in monetary terms.

The **Capital Adjustment Account (CAA)** absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The **Capital Financing Requirement** is the capital investment funded from borrowing which has yet to be repaid.

The **Capital Grants Unapplied Account (reserve)** holds the grants and contributions received towards capital projects for which the council 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.

Capital Investment is expenditure on the acquisition of an asset that will be used to provide services beyond the financial year or expenditure which adds to and not merely maintains the value of an existing non current asset.

The **Capital Investment Programme** is a financial summary of the capital projects that the council intends to carry out over a specified period of time.

A **Capital Receipt** is the proceeds from the sale of an asset.

The **Capital Receipts Reserve** holds the proceeds from the disposal of non current assets, which are restricted by statute from being used other than to fund new capital investment or to be set aside to finance historical capital investment.

Capital Reserves represent resources earmarked to fund capital schemes as part of the council's capital investment strategy.

The **Carbon Reduction Commitment (CRC) Energy Efficiency Scheme** obligates the council to purchase and surrender CRC allowances in relation to carbon dioxide emissions.

The **Carrying Amount** is the amount at which an asset is recognised on the Balance Sheet after deducting any accumulated depreciation (or accumulated amortisation) and accumulated impairment losses.

Cash comprises cash in hand and demand deposits.

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 are the inflows and outflows of cash and cash equivalents.

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the council during the financial year.

The **Collection Fund** is a separate fund recording the expenditure and income relating to council tax and non domestic rates.

The **Collection Fund Adjustment Account** is used specifically to manage the accounting processes for council tax and non domestic rates.

The **Commencement of the Lease Term** is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (ie the recognition of the assets, liabilities, income or expenses resulting from the lease).

Community Assets are assets that the council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.

The **Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

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 council.

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 council, 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 comprises costs relating to member representation and associated governance activities together with the costs of corporate management that provide the infrastructure that allows services to be provided, whether by the council or not, and the information that is required for public accountability.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

Council Tax is the main source of local taxation to local authorities and is levied on households within its area by the billing authority.

Costs to Sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs.

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.

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 council expects to realise the asset within 12 months after the reporting date.

A **Current Liability** is an amount which will become payable or could be called in within the next financial year; examples are creditors and bank overdraft.

Current Replacement Cost is the cost the council would incur to acquire the asset on the reporting date.

Current Service Cost (Pensions) is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Current Value is the amount that reflects the economic environment prevailing for the service or function the asset is supporting.

Curtailment (Pensions) occurs when the council significantly reduces the number of employees covered by the plan.

Customer and Client Receipts include rental income and income from fees and charges.

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.

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.

A **Deferred Liability** is a sum of money that is either not payable until some point after the next financial year or is paid off over a number of years.

The **Deficit (Pensions)** is the present value of the defined benefit obligation less the fair value of scheme assets.

A **Defined Benefit Scheme** is a pension scheme where the benefits to employees are based on their salaries, and where employers' contributions have to be adjusted to match estimates of future liabilities.

A **Defined Contribution Scheme** is a post employment benefit scheme where the employer's liability is restricted to the amount that they contribute.

Depreciated Replacement Cost (DRC) 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 is a method of allocating the cost of a tangible asset over its useful life.

The **Discount Rate (Pensions)** is the rate used to discount post-employment benefit obligations and is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The **Effective Interest Rate** is the rate that exactly discounts estimated future cash payments or receipts over the life of the instrument to the amount at which it was originally recognised.

Employee Benefits are all forms of consideration given by the council in exchange for service rendered by employees or for the termination of employment.

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

Estimation Techniques are the methods adopted 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 are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the financial statements are authorised for issue.

Exceptional Items are material items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the financial statements.

Existing Use Value is the estimated amount for which an asset or liability should exchange, on the valuation date, between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Existing Use Value – Social Housing (EUV-SH) is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arms length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

- the property will continue to be let by a body and used for social housing;
- at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;
- properties temporarily vacant pending reletting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to relet them, rather than with vacant possession;
- any subsequent sale would be subject to all of the above assumptions.

Exit Packages are departure costs paid to former employees who negotiate a package as part of their terms of leaving the council.

Expenses are decreases in economic benefits or service potential during the year in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves.

Experience Adjustments (Pensions) are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participates at the measurement date.

Fees, Charges and Other Service Income includes customer and client receipts including, for example rents and other fees and charges and grants received from non government bodies and other contributions received by the council.

Fee Expense (Financial Instruments) represents the cost of managing the council's debt and investment portfolios, including internal costs and external brokerage.

Fee Income (Financial Instruments) represents the contribution received from external bodies in respect of the management of that bodies' cash portfolio.

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.

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.

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.

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 and includes trade payables and other payables, borrowings, bank deposits, trade receivables, loans receivable; other receivables and advances and investments.

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.

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.

The **General Fund** is the statutory fund into which all the receipts of the council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise.

The **General Fund Balance** summarises the resources that the council is statutorily empowered to spend on its General Fund services or on capital investment (or the deficit of resources that the council is required to recover) at the year end.

Going Concern defines that the functions of the council will continue in operational existence for the foreseeable future.

Government Grants are grants made by the government towards either revenue expenditure or capital investment to support the cost of the provision of the council's services.

Grants and Contributions are assistance in the form of transfers of resources to the council in return for past or future compliance with certain conditions relating to the operation of activities.

A **Heritage Asset** is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

Historical Cost is the carrying amount of an asset as at 1 April 2007 (ie 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).

The **Housing Revenue Account (HRA)** reflects the statutory obligation of the council to maintain a revenue account for council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future financial years.

An **Impairment Loss** is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The **Inception of the Lease** is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Income is the gross inflow of economic benefits or service potential during the year when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves.

An **Intangible Asset** is an identifiable non monetary asset without physical substance (eg computer software).

The **Interest Cost (Pensions)** is the expected increase in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Interest Income (Pensions) is a component of the return on plan assets, and is determined by multiplying the fair value of the plan assets by the discount rate.

International Accounting Standards (IAS) for the preparation and presentation of financial statements.

International Financial Reporting Standards (IFRS) advise the accounting treatment and disclosure requirements of transactions so that the council's accounts present fairly the financial position of the council.

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 are activities relating to the acquisition and disposal of non current assets and other investments not included in cash equivalents.

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 covers the actual charges for capital in the HRA.

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.

The **Lease Term** is the non cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payments, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

A **Liability** is a present obligation of the council arising from past events, the settlement of which is expected to result in an outflow from the council of resources embodying economic benefits or service potential.

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 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 (held for trading); or

- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration (available for sale).

Long Term Borrowing is loans raised to finance capital investment which have to be repaid over a period in excess of 12 months from the year end.

The **Major Repairs Reserve** holds an element of the capital resources required to be used on HRA assets or for capital financing purposes.

Materiality - omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP) 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 council.

The **Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the council, analysed into usable reserves and other reserves.

The **Net Defined Benefit Liability (Pensions)** is the deficit, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The **Net Interest on the Net Defined Benefit Liability (Pensions)** is the change during the period in the net defined benefit liability that arises from the passage of time.

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.

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 council.

Non Distributed Costs are overheads for which no service benefits; for example pensions arising from discretionary added years' service.

Non Domestic Rates (NDR) is a scheme for collecting contributions from businesses towards the cost of local government services.

Non Ring Fenced Government Grants are revenue grants distributed by central government that do not relate to the performance of a specific service.

An **Operating Lease** is a type of lease (eg computer equipment, office equipment, furniture) where the balance of risks and rewards of holding the asset remains with the lessor.

Operating Activities are the activities of the council that are not investing or financing activities.

Other Comprehensive Income and Expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the surplus or deficit on the provision of services as required or permitted by the Code. Examples include changes in revaluation surplus; actuarial gains and losses on defined benefit schemes; and gains and losses on remeasuring available for sale financial assets.

Other Service Expenses 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 (eg payments to government departments, voluntary associations, private contractors and other agencies);
- Transfer payments including, for example, education awards paid to school pupils and students in further education, housing benefits;
- Capital financing costs including costs of unsupported borrowing.

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.

The **Past Service Cost (Pensions)** is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction of, or withdrawal of, or changes to, a defined benefit scheme) or a curtailment (a significant reduction by the council in the number of employees covered by a scheme).

The **Pension 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 council's recognised liability under IAS 19 *"Employee Benefits"*, for the same period.

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 council hosts the entire activity for the partnership, and the other parties contribute towards the total costs on an agreed basis.

Post Employment Benefits are employee benefits (other than termination benefits and short term employee benefits) that are payable after the completion of employment.

Post Employment Benefit Plans (Schemes) are formal (or informal) arrangements under which the council provides post employment benefits for one or more employees.

A **Precept** is a levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf, such as the Sussex Police & Crime Commissioner and the East Sussex Fire Authority.

The **Present Value of a Defined Benefit Obligation (Pension)** is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

A **Private Finance Initiative (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.

Property, Plant and Equipment (PPE) are tangible assets (ie 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.

A **Provision** is a liability of uncertain timing or amount.

The **Public Works Loan Board (PWLB)** is a central government agency which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

A **Qualified Valuer** is a person conducting the valuations who holds a recognised and relevant professional qualification and having sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

The **Recoverable Amount (in respect of assets)** is the higher of fair value less costs to sell (ie 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.

A **Related Party Transaction** is a transfer of resources or obligations between related parties, regardless of whether a price is charged.

Reserves are the residual interest in the assets of the council after deducting all its liabilities.

The **Residual Value** is the estimated amount that the council would currently obtain from the disposal of an asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The **Revaluation Reserve** contains the unrealised revaluation gains arising from increases in the value of its revalued non current assets (excluding investment property which is posted to the CAA).

Revenue is the gross inflow of economic benefits or service potential during the year when those inflows result in an increase in the council's net assets.

Revenue Expenditure is the day to day running costs relating to the financial year 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 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.

The **Return on Scheme Assets (Pensions)** is dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets less any costs of managing plan assets and any tax payable by the plan itself, other then tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

Ring Fenced Government Grants are revenue grants distributed by central government that relate to a specific service.

A **Scheme Amendment (Pensions)** occurs when the council introduces, or withdraws a defined benefit scheme or changes the benefits payable under an existing defined benefit scheme.

Scheme Assets (Pensions) comprise assets held by a long term employee benefit scheme.

Scheme Liabilities (Pensions) comprise liabilities in relation to a long term employee benefit scheme.

Settlements (Pensions) is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short Term Borrowing is a sum of money borrowed for a period of less than one year.

Short Term Paid Absences are periods during which an employee does not provide services to the council, but benefits continue to be paid.

Short Term Employee Benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the year end in which the employees render the related service.

Surplus Assets are those assets that are surplus to service needs but do not meet the definition of either an investment property or assets held for sale.

The **Surplus / Deficit on the Provision of Services** is the total of income less expenses, excluding the components of other comprehensive income and expenditure.

A **Tangible Asset** is an asset that has a physical form.

Termination Benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the council's decision to terminate an employee's employment before the normal retirement date, or the council's decision to accept an offer of benefits in exchange for the termination of employment.

The **Third Sector** includes a range of organisations eg voluntary and community organisations.

Total Comprehensive Income and Expenditure comprises all components of surplus or deficit on the provision of services and of other comprehensive income and expenditure.

Trust Funds are funds administered by the council for such purposes as prizes, charities and specific projects.

The **Unitary Charge** is the amount payable to the PFI contractor, by the council, for the provision of works and services as defined in each PFI contract.

Unsupported Borrowing is borrowing for which no financial support is provided by central government.

Unusable Reserves are those reserves that the council is not able to use to provide services and includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the MiRS as adjustments between accounting basis and funding basis under regulations.

The **Usable Capital Receipts Reserve** holds the proceeds of non current assets sales available to meet future capital investment.

Usable Reserves are those reserves that can be used to provide services and / or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The **Useful Life** is the period which a non current asset is expected to be available for use by the council.

Value Added Tax (VAT) is an indirect tax levied on most business transactions and on many goods and some services.

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