Brighton & Hove City Council

AUDIT COMMITTEE ADDENDUM

4.00PM, TUESDAY, 28 JUNE 2011

COMMITTEE ROOM 1, HOVE TOWN HALL

ADDENDUM

AUDIT COMMITTEE	Agenda Item 10 Brighton & Hove City Council

Subject:		**Statement of Accounts 2010/11**	
Date of Meeting:		**28 June 2011**	
Report of:		**Director of Finance**	
Contact Officer:	Name:	**Jane Strudwick**	**Tel: 29-1255**
	E-mail:	jane.strudwick@brighton-hove.gov.uk	
Wards Affected:	All		

FOR GENERAL RELEASE

The Chairman of the meeting has been consulted and is of the opinion that this item should be considered at the meeting as a matter of urgency.

The special circumstances for non-compliance with Council Procedure Rule 23, Access to Information Rule 5 and Section 100B(4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) are that the very challenging statutory deadlines for the completion of unaudited local authority accounts meant that the necessary financial information and analysis required to complete the financial statements was not finalised in time to comply.

1 SUMMARY AND POLICY CONTEXT

1.1 Under the Accounts and Audit Regulations 2003, the council's Statement of Accounts for previous years were required to be approved by Members by the 30 June. The revised regulations, which came into force on 31 March 2011, amended the accounts approval process, whereby from the 2010/11 financial year onward, the Statement of Accounts are now to be approved by the Chief Finance Officer by 30 June and following the audit process are to be approved by Members by 30 September each year. Under Brighton & Hove City Council's constitution, the Audit Committee is charged with this responsibility.

1.2 Accordingly, this report presents the Statement of Accounts for 2010/11 for information purposes only. Copies of the Statement of Accounts are distributed to each member of the Audit Committee. At this stage, the accounts have not been audited by the District Auditor. It is expected that the District Auditor will present an Annual Governance Report to the September meeting of this committee on the conclusion of the audit of the 2010/11 financial statements. An officer report will be presented to that meeting, to enable Members to consider and approve the statement of accounts

2 RECOMMENDATIONS:

2.1 That the Audit Committee note the Statement of Accounts for 2010/11 and note that these are subject to audit.

3 RELEVANT BACKGROUND INFORMATION

3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011 made under Section 27 of the 1998 Act.

3.2 It is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year and approved by the Chief Finance Officer by 30 June and considered by a committee or Full Council, and approved by a resolution of that committee or meeting by 30 September. The accounts must be published and signed off by the external auditor as soon as reasonably possible after conclusion of the audit and by 30 September.

4 FORMAT OF THE ACCOUNTS

4.1 With effect from the 2010/11 financial year, the authority is required to present its financial statements on an International Financial Reporting Standards (IFRS) basis and adopt the IFRS based Code of Practice on Local Authority Accounting (the Code); the authority previously presented its financial statements on a UK Generally Accepted Accounting Practice (UK GAAP) basis and adopted the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice (SORP). The move to IFRS was as a result of the, then, chancellor announcing in the 2007 budget that the UK public sector would adopt IFRS as this was seen as best practice and allowed for international comparisons to be made.

4.2 In accordance with the accounts and audit regulations, the Statement of Accounts includes an explanatory foreword, a statement of responsibilities together with the core financial statements, supplementary statements and the notes to the accounts.

4.3 The statement would normally comprise both "Single Entity Accounts", which are in respect of wholly council controlled activities, and "Group Accounts" in respect of activities where the council has a significant interest or share in a subsidiary, associate or joint venture entity. However, there are no other activities requiring the preparation of Group Accounts in 2010/11.

4.4 The new format of the financial statements shows less detail on the face of the statements and more analysis in the notes to the financial statements. In addition the authority's accounting policies are now included as a note to the financial statements.

4.5 The Single Entity core financial statements included within the Statement of Accounts comprise the following:-

- Movements in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Financial Statements

4.6 The supplementary statements comprise the following:-

- Housing Revenue Account
- Collection Fund Account

5 KEY CHANGES TO FINANCIAL STATEMENTS FOLLOWING THE TRANSITION TO IFRS

5.1 The new Movement in Reserves Statement (MiRS) shows the movement in the year on the different reserves held by the authority. This statement provides information on the surplus / deficit the authority has made.

The following extract shows the elements of the Movement in Reserves Statement for the general fund and HRA working balances, other columns in this statement includes other usable reserves such as earmarked reserves.

Movement in Reserves during 2010/11	General Fund Balance £'000	Housing Revenue Account £'000	
Balance at 31 March 2010	**(9,205)**	**(3,623)**	
(Surplus) / Deficit on the Provision of Services	(74,320)	203,781	General Fund and HRA share of the authority's surplus / deficit before statutory adjustments.
Other Comprehensive Income and Expenditure	0	0	
Total Comprehensive Income and Expenditure	**(74,320)**	**203,781**	
Adjustments between Accounting Basis and Funding Basis under Regulations	68,705	(205,782)	The statutory adjustments for amounts not charged for council tax and dwelling rent setting purposes (for example depreciation)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(5,615)**	**(2,001)**	The actual General Fund and HRA share of the surplus / deficit before amounts transferred to / from earmarked reserves.
Transfers (to) / from Earmarked Reserves	(1,317)	924	The amounts transferred to / from earmarked reserves.
(Increase) / Decrease in Year	**(6,932)**	**(1,077)**	The change in the General Fund and HRA working balances.
Balance at 31 March 2011	**(16,137)**	**(4,700)**	

5.2 The new Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with accounting practices, rather than the amount to be funded from taxation. This statement is an amalgamation of the old Income & Expenditure account and the statement of total recognised gains and losses. The following extract shows the elements of the Comprehensive Income and Expenditure Statement;

	Year Ended 31 March 2011			
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
Cost of Services	**959,335**	**(545,143)**	**414,192**	The service related income and expenditure for the General Fund and HRA
Other Operating Expenditure	4,555	(2,520)	2,035	This includes corporate costs such as gain or loss on sale of assets and, payments to precepting authorities.
Financing and Investment Income and Expenditure	26,366	(8,163)	18,203	This includes corporate income and expenditure relating to interest, pension costs and investment properties.
Taxation and Non-Specific Grant Income	0	(304,969)	(304,969)	This relates to income received for council tax, NNDR, non ring fenced revenue grants and capital grants.
(Surplus) / Deficit on the Provision of Services	**990,256**	**(860,795)**	**129,461**	General Fund and HRA share of the authority's surplus / deficit before statutory adjustments. (see MiRS extract). This line would have been the equivalent to the surplus / deficit on the old Income and Expenditure Account.
Surplus on Revaluation of Property, Plant and Equipment Assets			(97,638)	These lines relate to the net gains / losses recognised for assets and pensions (these would have formed the old Statement of total recognised gains and losses recognised under UKGAAP)
(Surplus) / Deficit on Revaluation of Available for Sale Financial Assets			(13)	
Actuarial (Gains) / Losses on Pension Assets and Liabilities			(172,707)	
Other Comprehensive Income and Expenditure			0	
Other Comprehensive Income and Expenditure			**(270,358)**	
Total Comprehensive Income and Expenditure			**(140,897)**	

5.3 The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. The following extract shows the elements of the Balance Sheet.

	As at 31 March 2011 £'000	
Long Term Assets	**1,844,792**	Long Term Assets includes Fixed Assets owned and held under Finance leases.
Current Assets	**114,980**	Current Assets are short term assets such as investments, debtors, cash, inventories and fixed assets to be sold within the next 12 months.
Current Liabilities	**(88,059)**	Current Liabilities are short term liabilities such as borrowing, creditors, bank overdraft and provisions payable within 12 months.
Long Term Liabilities	**(327,794)**	Long Term Liabilities include borrowing and provisions payable after 12 months, pension liability and Capital grants received in advance of expenditure being incurred.
Net Assets	**1,543,919**	Net Assets are matched by the total reserves held.
Usable Reserves	(93,789)	Usable reserves are those reserves used to provide services. This includes working balances and earmarked reserves.
Unusable Reserves	(1,450,130)	Unusable reserves are those reserves which cannot be used to provide services. These reserves hold accounting timing differences.
Total Reserves	**(1,543,919)**	

5.4 The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the financial year. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The inclusion of cash equivalents is a new requirement. The following extract shows the elements of the Cash Flow Statement.

	2010/11 £'000	
Net surplus / (deficit) on the provision of services	(129,461)	This figure is from the Comprehensive Income & Expenditure Statement (CI&E)
Adjustment to surplus / (deficit) on the provision of services for non cash movements	222,736	Non cash transactions included in the CI&E (i.e. depreciation.)
Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	(60,443)	Cash transactions which are not operating activities.
Net Cash Flows from Operating Activities	**32,832**	Cash transactions that are not investing or financing activities
Net cash flows from investing activities	(9,891)	Cash transactions relating to the acquisition and disposal of long term assets and other investments not included in cash equivalents.
Net cash flows from financing activities	(17,223)	Cash transactions that result in changes in the size and composition of the principal received from or repaid to external providers of finance.
Net Increase in Cash and Cash Equivalents	**5,717**	
Cash and Cash Equivalents as at 1 April	**13,576**	
Cash and Cash Equivalents as at 31 March	**19,293**	

6 TARGETED BUDGET MANAGEMENT (TBM)

6.1 During 2010/11, Cabinet received regular Targeted Budget Management (TBM) reports in respect of the council's expenditure against the Budget. A revenue outturn report was taken to Cabinet on 9 June 2011 showing a provisional underspend for the General Fund of £2.560 million. There was no change in the final outturn position. This underspend has been transferred to the General Fund Working Balance. The revenue outturn report of 9 June 2011 contains full details.

6.2 The level of General Fund working balance and general reserves held at 31 March 2011 was £15.147 million as shown in the Movement in Reserves Statement. The revenue summary section of the explanatory foreword to the Statement of Accounts provides information on the underspend and level of reserves held.

7 EVALUATION OF ALTERNATIVE OPTIONS

7.1 The purpose of this report is to note the Statement of Accounts for 2010/11.

8 REASONS FOR REPORT RECOMMENDATIONS

8.1 The purpose of this report is to note the Statement of Accounts for 2010/11.

9 CONSULTATION

9.1 The purpose of this report is to present the council's Statement of Accounts for 2010/11. There has been no external consultation. Residents of Brighton & Hove are able to inspect the accounts during the period 27 June 2011 to 22 July 2011.

10 FINANCIAL & OTHER IMPLICATIONS

Financial Implications

10.1 There are no financial implications.

Finance Officer Consulted: Jane Strudwick Date: 20 June 2011

Legal Implications:

10.2 The relevant statutory requirements relating to the Statement of Accounts are summarised in the report, in particular at paragraphs 1.1 and 3.1.

The report is for noting only. As indicated, the Committee has until 30 September in which to approve the statement of accounts, and officers will prepare a separate report on that process for consideration by the Committee in time to comply with the statutory deadline.

Lawyer consulted: Oliver Dixon Date: 22 June 2011

Equalities Implications:

10.3 There are no equalities implications arising directly from this report. The Statement of Accounts is a statutory publication and is available for the public inspection at the council's main offices and on the council's website. Information on the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

10.4 Summary accounts will also be published.

Sustainability Implications:

10.5 There are no direct environmental implications arising from this report. However, it is believed that the reputation of the council's framework and its ability to demonstrate sound financial management could have an impact on the willingness of other funding partners to invest in and with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Crime & Disorder Implications:

10.6 There are no direct implications for the prevention of crime and disorder arising from this report.

Risk and Opportunity Management Implications:

10.7 There has been no direct risk assessment for this report. However, the management of the closure of the council's accounts and the preparation of these complex annual accounting statements are subject to full risk assessment and review.

Corporate / Citywide Implications:

10.8 Any material changes resulting from the conclusion of the audit will be included in the Accounts to be reported to the Audit Committee in September 2011.

SUPPORTING DOCUMENTATION

Appendices

None

Documents in Members' Rooms

None

Background Documents

None

Un-Audited Statement of Accounts 2010/11

Contents

Index for Notes to the Financial Statements

Index for Note 1 – Accounting Policies

Certification by Chairman

I confirm that these accounts were approved by the Audit Committee at a meeting held on 27 September 2011.

Signed on behalf of Brighton & Hove City Council

Leslie Hamilton
Chairman
Audit Committee

Date 27 September 2011

Introduction and Explanatory Foreword to the Accounts

Introduction

During 2010/11, scrutiny of public spending and the national economic situation has become increasingly important and the government has given clear instructions to local authorities to make financial information publicly accessible and transparent. Brighton & Hove City Council (the "authority") now publishes data on all expenditure over £500 and submits information to the 'Spotlight on Spend' web service which provides an analysis of spending on services. Both are available through the authority's web site.

These accounts also form part of the information available to the public and although they are complex, due to the requirement to comply with International Financial Reporting Standards (IFRS), every effort has been made to provide notes and commentaries that explain and interpret the key elements of the accounts for the reader. The authority will also be providing a summary version of the accounts which will include the key facts and information.

Local authority financial settlements for 2011/12 and beyond are now known to be very challenging following the government's review of public spending in response to the growing national debt. During the period of these accounts, the authority introduced tighter vacancy controls and restrictions on all non-critical expenditure, which was both to address in-year financial pressures and to ensure that the authority's financial position was as favourable as possible going into the challenging period ahead. The impact of these measures has been to achieve an underspend of £2.560m, which is approximately £1million better than expected at the time of setting the 2011/12 budget. This will therefore contribute an additional £1million to unallocated general reserves which will provide further risk provision and/or investment to ensure that the major transformation and efficiency programmes currently in progress can be properly implemented whilst managing the impact on essential services.

The Housing Revenue Account (HRA), which relates to council housing, also achieved an underspend of £1.377m. A contribution of £0.300m was made to the authority's capital programme. The balance of £1.077m will be added to the HRA's reserves and will enable continued investment in the Decent Homes Standard and the long term investment strategy for the housing stock.

This continues to demonstrate the authority's track record of spending within budget despite receiving very low, 'grant floor' financial settlements from central government. This can only be managed through the achievement of very substantial efficiency savings, which amounted to £12million in 2009/10 and over £10million in 2010/11. The authority's Value for Money (VfM) Programme for 2010/11 has exceeded its savings target delivering £4.307m against a budget of £2.809m. These efficiency and transformation programmes will continue to be carried through to ensure that the cost of services is constantly challenged and that corporate costs such as property, ICT and other central services are minimised wherever possible.

In summary, the accounts show that the authority has delivered services within budget and has maintained appropriate reserves and balances to manage financial and other risks both in-year and going forward. The authority therefore approaches a very challenging period from a strong base with a track record in effective financial planning and management.

Explanatory Foreword

With effect from the 2010/11 reporting period, the authority is required to present its financial statements on an International Financial Reporting Standards (IFRS) basis and adopt the IFRS based Code of Practice on Local Authority Accounting (the Code); the authority previously presented its financial statements on a UK Generally Accepted Accounting Practice (UK GAAP) basis and adopted the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice (SORP).

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2010 to 31 March 2011.

The objectives of financial statements are to provide information about the financial position, financial performance and cash flows of the authority that is useful to a wide range of users in making and evaluating decisions about the allocation of resources.

Significant Changes in Accounting Policies

The Code requires any changes in accounting policy to be applied retrospectively unless the Code specifies transitional provisions that should be followed. A change in accounting policy is applied by adjusting the opening balance of each affected component of net worth for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied, except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the change.

The authority has adopted a number of changes in accounting policies as a result of adopting the IFRS based Code. The authority has accounted for the accounting policy changes arising out of the transition to IFRS and adoption of the IFRS based Code retrospectively unless the Code requires an alternative treatment.

The transition from UK GAAP to IFRS has had a significant impact on the authority's financial statements in terms of accounting treatment, presentation and disclosure requirements. The significant areas of the financial statements affected by the transition are accounting for lease and lease type arrangements, non current assets, grants, employee benefits and cash equivalents.

Note 1 to the financial statements details the authority's revised accounting policies under IFRS. Note 2 to the financial statements provides an explanation of how the transition from UK GAAP to IFRS has affected its reported financial position, financial performance and cash flows.

Prior Period Errors

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

The Code requires material prior period errors to be corrected except to the extent it is impracticable to determine either the period specific effects or the cumulative effect of the error.

The authority has made an adjustment for a prior period error in the financial statements in respect of the overstatement of income and expenditure in the Comprehensive Income and Expenditure Statement for 2009/10. This was in respect of the children's and education services. Income has reduced by £17.418m and expenditure has reduced by the same amount.

Financial Statements, their Purpose and Relationship between them

The authority has prepared its financial statements in accordance with IAS 1 *Presentation of Financial Statements*, IAS 7 *Statement of Cash Flows* and IFRS 8 *Operating Segments* as interpreted by the Code. The Code specifies the format of the statements, disclosures and terminology that are appropriate for local authorities. The requirement to prepare financial statements on an IFRS basis from 1 April 2010 and adopt the Code has led to a number of changes to the presentation of the financial statements.

Under IFRS, the authority is required to present a complete set of financial statements (including comparative information) that comprise:

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

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

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

The financial statements are set out on pages 18 to 145 and are presented as follows:

Core Single Entity Financial Statements:

Movements in Reserves Statement

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

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves (i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services (i.e. unusable reserves). This category of reserves includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement as Adjustments between Accounting Basis and Funding Basis under Regulations.

Cash Flow Statement

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

Notes to the Financial Statements

The notes to the financial statements comprise explanatory information. They include the authority's accounting policies, which detail the specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting its financial statements.

Supplementary Single Entity Financial Statements:

Housing Revenue Account (HRA)

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

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

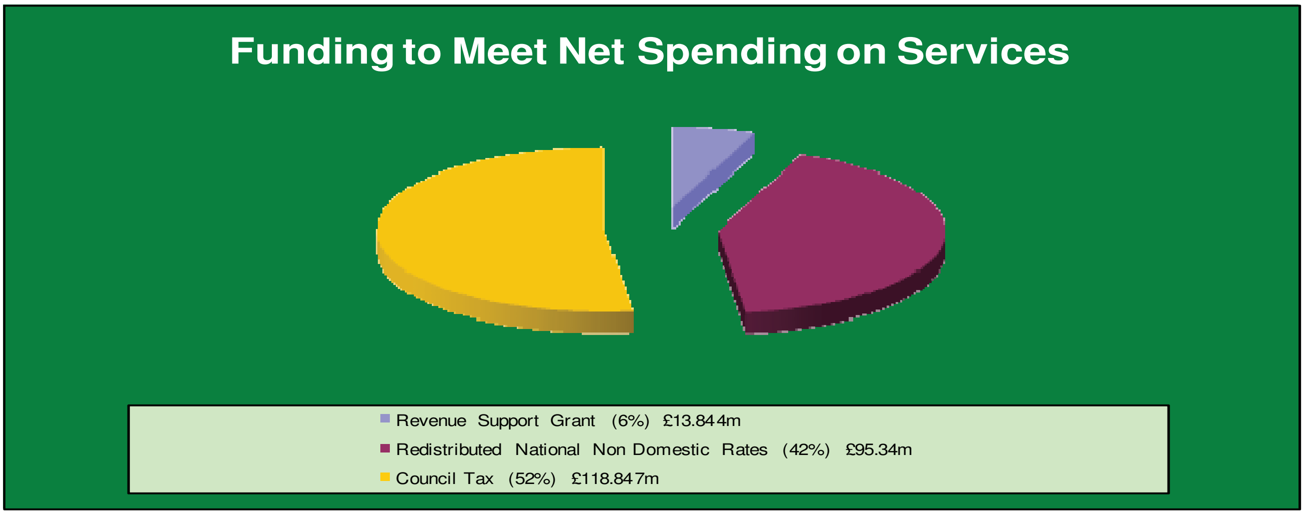
Collection Fund

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

- The Collection Fund Statement is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992). The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non domestic rates
- Notes to the Collection Fund Statement which detail explanatory information

Revenue Summary 2010/11

The authority's net revenue budget after income, for 2010/11 was set at £230.817m (including £0.027m Rottingdean Parish Council precept). The following chart shows the sources of funding which is used to meet the net spending on services.

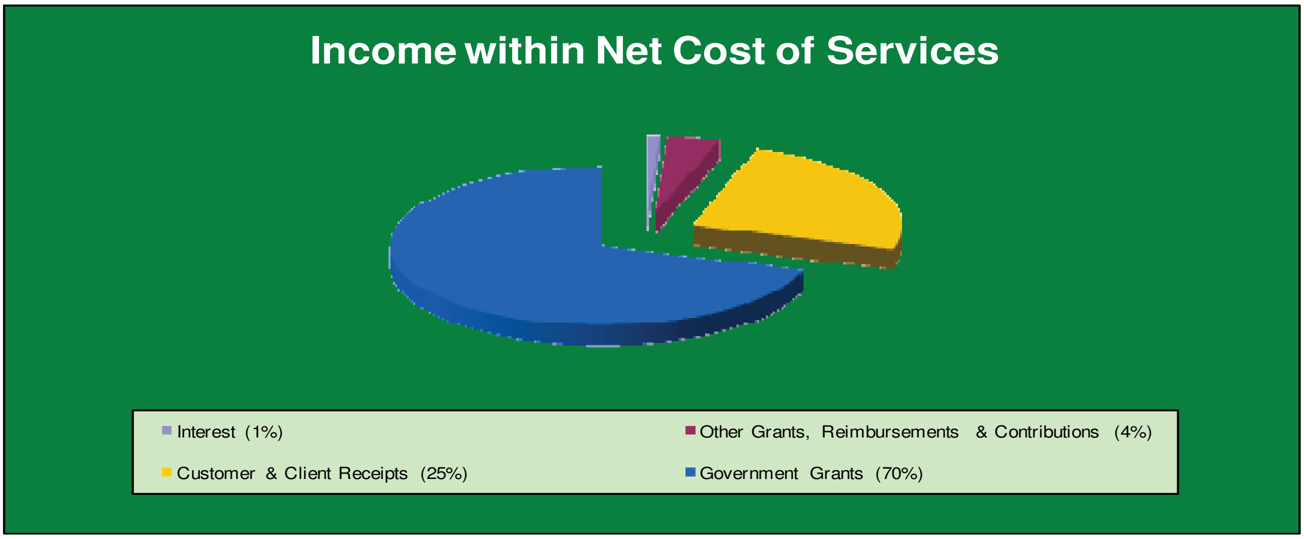


The authority received formula grant of £109.184m in 2010/11, made up of Revenue Support Grant of £13.844m and redistributed non domestic rates of £95.340m. Please refer to note 15 for details of the Revenue Support Grant.

The expected income from council tax received was £121.632m, the difference of £2.785m between the expected income and the amount included in the Comprehensive Income and Expenditure Statement of £118.847m (including £0.027m re Rottingdean Parish precept) relates to the previous years surplus and adjustments made in respect of the authority's preceptors. The authority actually received £116.256m in council tax income in 2010/11. This lower level of council tax received compared to that budgeted for was mainly attributable to higher than anticipated entitlement to exemptions and discounts in 2010/11.

Analysis of Income

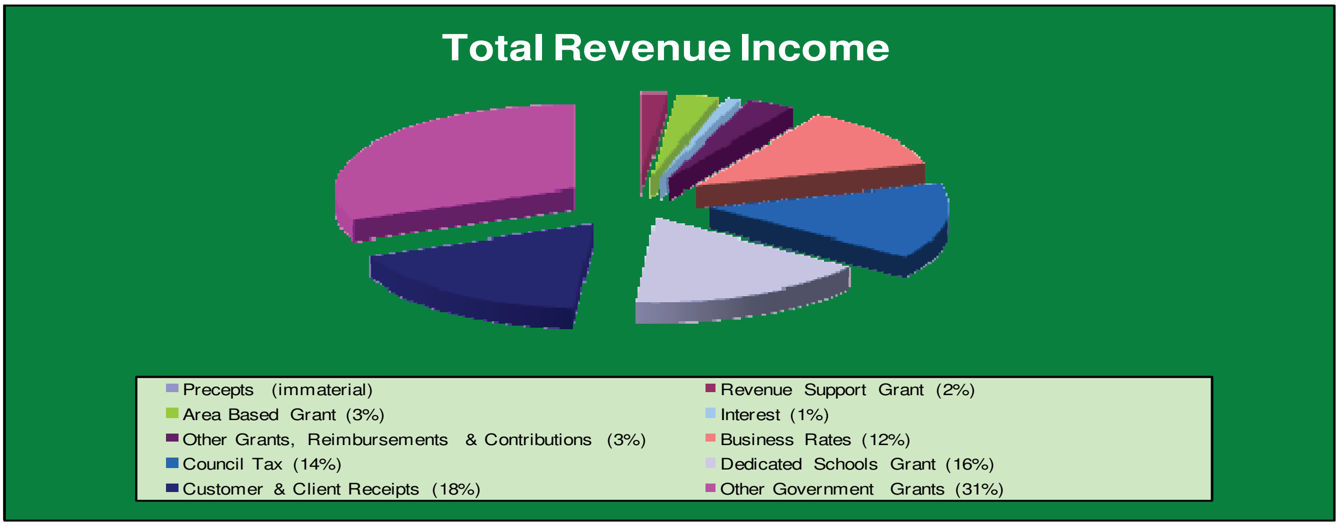
The gross revenue income in 2010/11 for services was £545.143m, as included in cost of services in the Comprehensive Income and Expenditure Statement. The following chart shows the sources of the income:



Government grants include £131.594m dedicated schools grant. Customer and client receipts include rental income (e.g. housing and other property rents) and income from fees and charges.

In addition to the income generated by services and service specific grants, the authority received £13.844m revenue support grant, £22.654m area based grant, £95.340m in re-distributed non domestic rates and £116.256m in council tax income. These figures represent the actual income received by the authority.

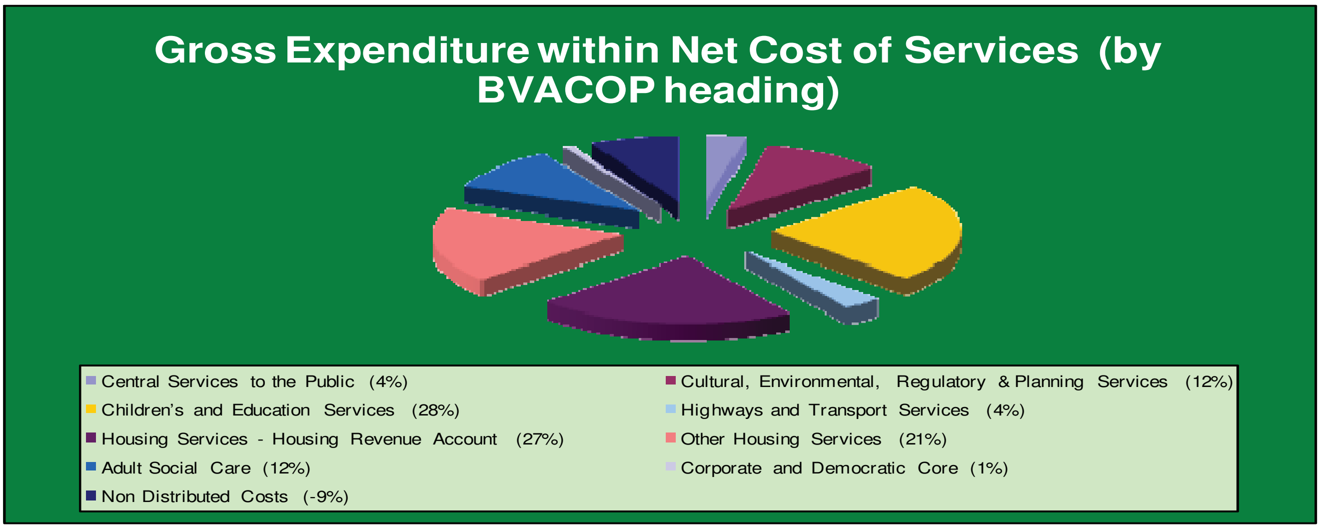
The following chart shows the total actual revenue income received by the authority in 2010/11 in percentage terms:



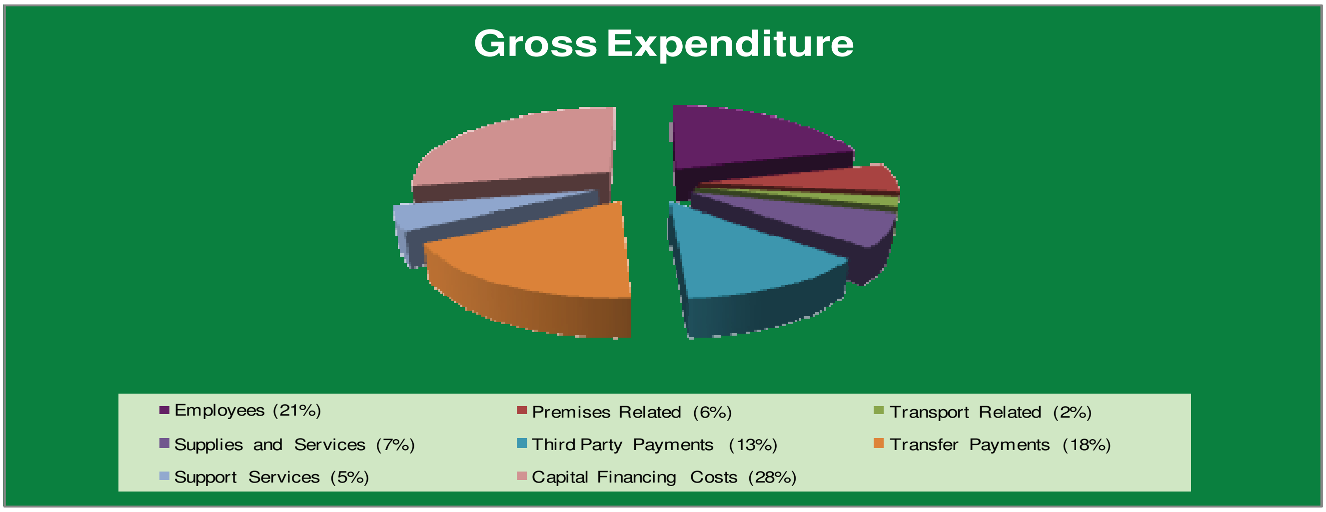
The level of actual revenue income received in year has increased by £6.1m from £797.810m in 2009/10 to £803.948m in 2010/11; this increase being mainly due to an increase in government grants and other contributions received by the authority. The dedicated schools grant increased by £3.8m, the area based grant increased by £8.7m whilst the revenue support grant reduced by £6.3m.

Analysis of Expenditure

The gross revenue expenditure in 2010/11 for services was £959.335m as included within cost of services in the Comprehensive Income and Expenditure Statement and was spent on the following services (analysed by Best Value Accounting Code of Practice (BVACOP) heading):



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



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

- Employees includes total salaries, employers' national insurance contributions, employers' pension contributions and indirect employee expenses including the adjustments required to adjust employee costs to a IAS 19 basis;
- Premises Related includes all running costs, expenditure on goods, services and contractors directly related to property and land;
- Transport Related includes all costs connected with the provision, hire or use of transport for employees and clients;
- Supplies and Services include all direct supplies and services expenditure;
- Third Party Payments include payments to third party providers of local authority services (e.g. payments to government departments, voluntary associations, private contractors and other agencies);
- Transfer Payments include education awards paid to school pupils and students in further education and housing and council tax benefits;
- Support Services include the recharge of management and administration costs and support services costs (e.g. financial services, human resources, legal services, property services) to front line services and internal recharges between services;

- Capital Financing Costs include depreciation of non current assets, interest charges, impairment of non current assets, revenue expenditure funded from capital under statute and provision for repayment of debt.

The gross expenditure in 2010/11 has increased by £222.216m compared to 2009/10. This increase is mainly in respect of the downward valuation of HRA housing stock and increased past service costs in respect of defined benefit pension schemes. Notes 17 and 34 respectively, provide further details.

Financial Performance and Segmental Reporting

The adoption of IFRS and the Code introduces segmental reporting with the aim to disclose information to enable users of the authority's financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates. Information on reportable operating segments is presented in note 36 and includes the following:

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

Reportable operating segments are based on the authority's internal management reporting. The authority is not required to report all operating segments; an operating segment is only reported where its expenditure is 10% or more of the gross expenditure within the cost of services or its income is 10% or more of the gross income within the cost of services. Where the reportable operating segments identified by applying this criteria do not include at least 75% of the expenditure within the cost of services, additional operating segments are treated as reported operating segments until the reportable operating segments include at least 75% of the expenditure within the cost of services. The authority has opted to report all of its operating segments.

Operating segments are split between General Fund and Housing Revenue Account. The General Fund includes all service department budgets, centrally managed budgets and section 75 partnership services managed by the authority.

GENERAL FUND

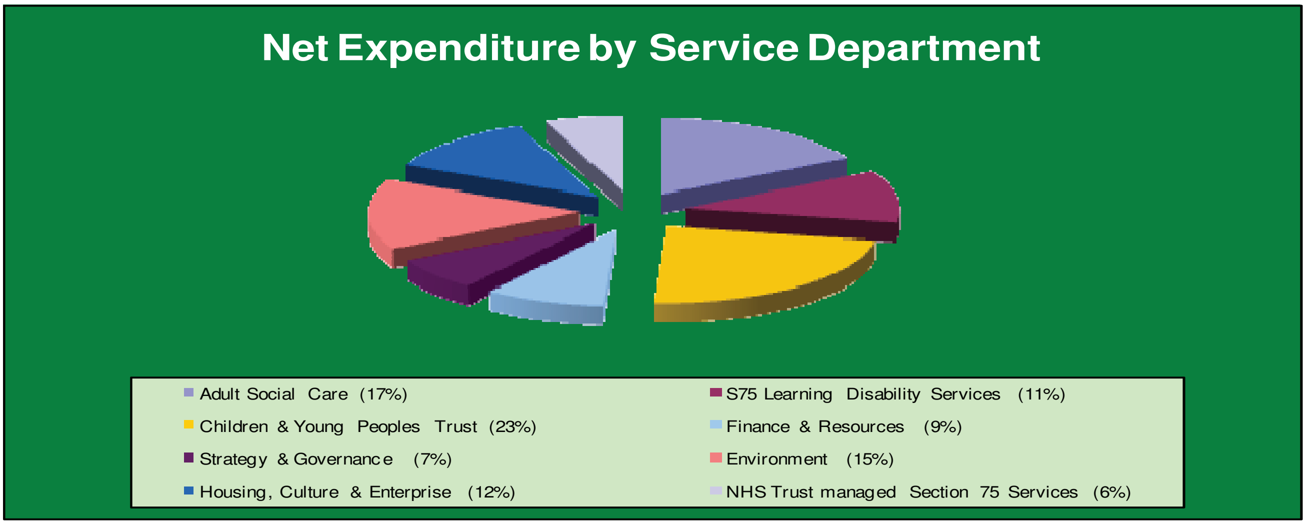
The authority set a budget of £221.267m in respect of General Fund operating segments for 2010/11. The actual spend on the General Fund operating segments was £218.707m, an underspend variation of £2.560m. This underspend represents a 1.17% positive variation of the total budget.

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

Segments	Revised Budget £'000	Actual £'000	Variance £'000
Children & Young People's Trust	51,881	51,202	(679)
Adult Social Care	38,639	38,383	(256)
Environment	34,873	34,991	118
Centrally Managed Budgets	(5,147)	(7,844)	(2,697)
S75 Learning Disability Services	24,105	24,252	147
Finance & Resources	19,521	20,230	709
Strategy & Governance	15,139	15,593	454
Housing, Culture & Enterprise	28,057	27,701	(356)
NHS Trust managed Section 75 Services	14,199	14,199	0
Total	**221,267**	**218,707**	**(2,560)**

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

The following chart shows the net expenditure by service department in percentage terms:



The overall underspend on General Fund services of £2.560m includes the following significant variations:

- Adult Social Care – The underspend of £0.256m includes the following variations:
    - an underspend of £0.472m on community care. Within this, under-65 community care was overspent by £0.434m, mainly on home care, as a result of the complex caseload and higher actual placements compared with the budgeted level. This overspend was offset by an underspend of £0.906m on over 65 community care mainly on home care and nursing, which was due to fewer actual placements than budgeted for;
    - an overspend of £0.168m on staffing and income budgets relating to Carelink Plus (the authority's 24-hour community alarm service).
- Children and Young People's Trust – the underspend of £0.679m includes the following variations:
    - an underspend of £0.656m relating to unit costs in respect of in-house placements and services for care leavers being significantly below the anticipated level.
    - an overspend of £0.220m on legal fees due to changes in the law and the higher cost of employing agency social workers.
    - an overspend £0.260m in disability agency placements.
    - an underspend of £0.283m due to vacancy control and savings on home to school transport;
    - an overspend of £0.910m relating to Independent Foster Agency Placements (IFA).
    - an underspend of £0.548m relating to secure accommodation and an underspend of £0.350m relating to residential placements.
    - an underspend of £0.434m in respect of reprioritising unallocated Dedicated Schools Grant (DSG) to fund eligible costs across the service.
- Finance & Resources – the overspend of £0.709m includes the following variations:
    - a pressure of £0.315m in respect of Housing Benefit subsidy arrangements;
    - an overspend of £0.120m in respect of dilapidation charges for modern records storage facilities being higher than originally estimated;
    - an overspend of £0.294m in respect of a shortfall on rental income from the commercial property portfolio due to the current economic conditions;
    - £0.207m being set aside to invest in Automatic Meter Readers (AMR's) for non housing sites which will support the Government and authority's commitment to reduce carbon emissions through lowering energy consumption as part of the 10:10 campaign, as well as legal commitments such as the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme;
    - an underspend of £0.131m on financial services in respect of vacancy control and the receipt of additional income.
- Strategy and Governance – the overspend of £0.454m mainly relates to the central communications budget; this overspend was offset by a reduction in communications costs across the rest of the authority.
- Housing, Culture and Enterprise – the underspend of £0.356m includes the following variations:
    - an overspend of £0.110m in tourism and venues budgets mainly due to income shortfalls for the Brighton Centre and the Hove Centre;

- a net underspend of £0.122m on the Royal Pavilion and museums, the main variations being in relation to a fall in visitor spending offset by overachievement of admissions income;
- an overspend of £0.210m on retail and catering budgets due to a fall in secondary visitor spend and increased staffing costs;
- an underspend of £0.280m on housing strategy mainly due to vacancy control and the improved collection of housing benefit on temporary accommodation. The improved collection mainly relating to the collection of shortfalls where the housing benefit rate received is lower than the property charge.

- Centrally Managed Budgets – the underspend of £2.697m includes the following variations:
  - an underspend of £0.259m in respect of insurance premia which related to lower than anticipated insurance claims payments in March 2011;
  - an underspend of £0.946m on concessionary fares mainly due to lower than anticipated concessionary journeys;
  - an increased amount of £0.367m being set aside for the provision of doubtful debts;
  - ongoing risk provision of £0.750m set aside to cover risks identified in the learning disabilities budget and a further £0.750m set aside to cover uncertainties in the budget. There is a also £0.500m set aside to support one-off risks and £0.500m saving due to the pay award being lower than estimated.

HOUSING REVENUE ACCOUNT (HRA)

The authority set a gross expenditure budget of £48.294m in respect of the HRA operating segment for 2010/11. The underspend against this budget was £1.377m which represents a 2.85% positive variation of the total budget. The following table shows the breakdown of the budget, actual spend and underspend between expenditure and income:

	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure	48,294	46,614	(1,680)
Income	(48,294)	(47,991)	303
Total	**0**	**(1,377)**	**(1,377)**

The underspend of £1.377m includes the following significant variations:

- an underspend of £0.516m on employee budgets mainly due to TUPE costs for property & investment staff being lower than previously forecast and vacancy control across the service;
- An underspend of £0.987m in respect of the premises repairs budget which included the following variations:
  - An underspend of £0.442m in respect of responsive repairs and empty properties due to repair levels being lower than anticipated over the winter months;
  - An underspend of £0.458m in respect of service contracts being procured and lower than anticipated costs on the gas servicing and maintenance contract.
- An increase of £0.181m in respect of revenue contributions made towards the capital programme;
- An underspend of £0.360m on capital financing costs mainly due to interest rates being lower than anticipated. The reduced interest rates also reduced the amount of subsidy allowance for capital finance costs therefore resulting in an increased subsidy payable to the government of £0.103m;
- An underachievement of £0.290m on income streams; £0.045m on rental income in respect of the HRA commercial properties, mainly due to a downturn in the economic climate affecting the letting of some commercial properties, £0.083m relating to garages & car parking income and £0.162m on leaseholder service charges income.

The HRA financial statements can be found on pages 135 to 143.

Reserves

Putting in place appropriate levels of reserves is essential to provide the authority with a safety net for risks, unforeseen or other circumstances. The authority's working balances (i.e. the General Fund balance and the HRA balance) must last the lifetime of the authority unless contributions are made from future year's revenue budgets.

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

The underspends in 2010/11 for both the General Fund and HRA are included in the authority's working balances.

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

	Total £'000
GENERAL FUND	
Balances at 1 April 2010	**(9,205)**
Contribution to balances	(2,560)
Net transfer to earmarked reserves	(4,372)
Balance at 31 March 2011	**(16,137)**
Recommended General Fund Balance	**(9,000)**
HOUSING REVENUE ACCOUNT	
Balances at 1 April 2010	**(3,623)**
Contribution to balances	(1,377)
Contribution to capital programme	300
Balance at 31 March 2011	**(4,700)**
Recommended HRA Balance	**(2,300)**

The authority also holds earmarked reserves for both the General Fund and HRA. The General Fund Earmarked Reserves as at 31 March 2011 was £67.918m and the HRA earmarked reserves as at 31 March 2011 was £2.498m. Note 11 provides information of the specific earmarked reserves held by the authority.

Collection Fund

In 2010/11 there was an in-year deficit of £3.271m of which £2.685m related to the budgeted distribution of the previous year's forecast collection fund surplus. The remaining in-year deficit related mainly to a higher than anticipated entitlement to exemptions and discounts. The Collection Fund statement and notes can be found on pages 144 to 145.

Capital Summary

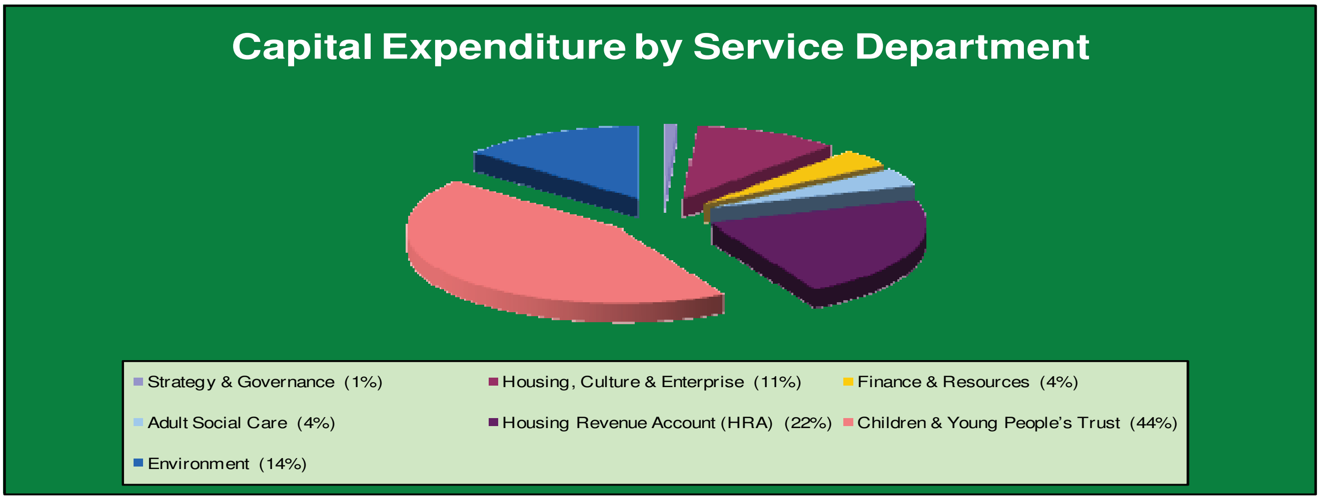
The authority has delivered a significant capital investment programme this year in partnership with a wide range of external bodies, developing successful bids for funding from central government, lottery and other external bodies, as well as the prudent use of borrowing.

Capital expenditure totalled £84.848m in 2010/11 compared with the final approved budget of £87.482m. The variance of £2.634m includes slippage (delays) of £2.357m which has been carried forward into 2011/12 to meet the authority's ongoing capital commitments. No current or future resources were lost as a result of capital investment programme slippage. The variance also includes a small underspend of £0.277m which is mainly due to an underspend on council dwellings offset by overspends on other capital schemes.

Many large and smaller capital projects were undertaken in 2010/11 and included expenditure on council dwellings (£19.013m), education (£31.517m), sustainable transport and planning (£8.674m), private sector renewal grants (£5.499m), disabled facilities grants (£1.059m) and leisure services and quality of life and green spaces (£1.146m).

The level of capital expenditure has increased by £15.854m from £68.993m (excluding PFI expenditure £6.6m) in 2009/10 to £84.847m in 2010/11; this increase related mainly to grant related costs on capital schemes within schools and has been funded largely by an increase in capital grant funding.

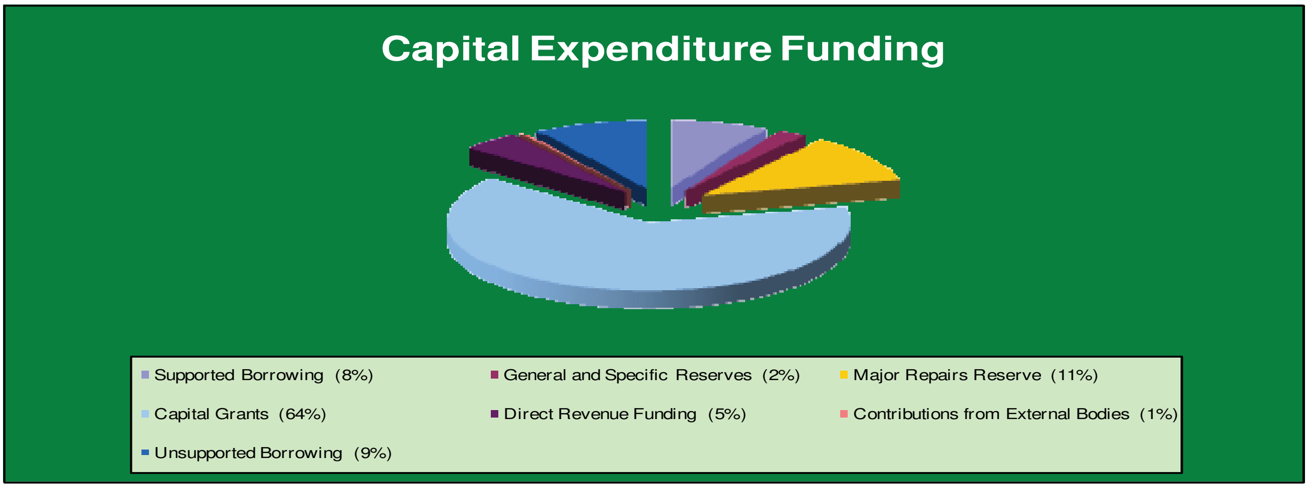
The following chart shows the total programmed capital expenditure of £84.847m split by service department in percentage terms:



The authority's 2010/11 capital programme was funded from various internal and external sources. The following table details that funding:

	Total £'000
Capital Outturn	84,848
Total Funding Requirement	**84,848**
Funding:	
Supported Borrowing	(7,375)
General and Specific Reserves	(1,622)
HRA Balance	(300)
Capital expenditure financed by the Major Repairs Reserve (MRR)	(9,506)
Capital Grants	(54,214)
Direct Revenue Funding	(3,950)
Contributions from External Bodies	(289)
Unsupported Borrowing	(7,592)
Total Funding	**(84,848)**

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



Notes 17, 18 and 20 to the financial statements provide further information on significant commitments for capital investments that existed as at the Balance Sheet date.

Non Current Assets

The value of the authority's non current assets (including current assets held for sale) has decreased in year by £104.015m, from £1,944.223m in 2009/10 to £1,840.208m in 2010/11.

The authority has purchased £72.525m and disposed of £3.060m of non current assets in the year.

Wilks, Head and Eve, the valuer for the housing stock, have assessed that there should be a reduction in the value of these assets due to a decrease in Social Housing Adjustment Factor from 45% to 32% leading to a impairment loss of £222.077m. Other asset values have increased by £89.112m due to valuations carried out in the year.

Assets have been depreciated in year by £40.519m.

Notes 17 to 20 to the financial statements provide further information on non current assets held by the authority.

The authority did not enter into any additional finance leases as lessor or into any additional operating leases as lessee in the year; therefore there were no implications on non current assets in respect of this. Note 22 provides details on leases and lease type arrangements.

The authority has componentised various assets in the year which have a gross book value as at 31 March 2011 of £178.976m. Within this £48.844m relates to the Dome complex, £33.772m to Hove Town Hall and £96.360m to the authority's schools. All these assets were revalued in the year. The depreciation charge for these componentised assets was calculated on the revalued amounts and totalled £5.749m; being an increase of £1.962m in comparison to the level of depreciation charge if the assets had not been componentised.

The transition to IFRS led to a number of reclassifications of non current assets. Note 2 provides further details.

Pensions Liability

The authority's net liability for future pension payments, as estimated by the pensions actuary, Hyman Robertson, has reduced from £341.334m at 31 March 2010 to £95.549m at 31 March 2011, a reduction of £245.785m. This improvement in the liability position is principally due to:

- the financial assumptions at 31 March 2011 being more favourable than they were at 31 March 2010 including the salary increases assumption used by the pensions actuary has changed in 2010/11 in line with the public sector pay restrictions put in place by the government in summer 2010. A restricted rate of 1% p.a. for the year to 31 March 2012 reverting to Retail Price Index (RPI) plus 1.5% p.a. thereafter has been used in the financial assumptions by the pensions actuary in calculating the liability;
- pension increases being linked to Consumer Prices Index (CPI) rather than Retail Prices Index as announced by the Chancellor in the June 2010 Emergency Budget. The pension actuary's assumptions regarding future pension increases as at 31 March 2011 is linked to RPI from March to June 2010 and CPI for the nine months from June 2010 until March 2011. The pensions actuary estimates that CPI will be approximately 0.8% p.a. below RPI on average.

The post retirement mortality assumptions, used by the pensions actuary, have been updated from those used in previous years leading to an increase in the life expectancy assumptions.

The current service cost has increased significantly, by £11.668m due to the changes in the real discount rate used by the pensions actuary; this serves to make the cost of new benefits earned by employee members over 2010/11 more expensive than was the case in 2009/10. In addition, the service cost has also been affected by the actuary basing assumptions on the start of the period (i.e. 31st March 2010) rather than at the end of the period.

The combination of the changes in salary increase assumptions, the switch to CPI, the increased life expectancy assumptions and changes in the current service cost has made a significant net reduction in the authority's pension liability.

The overall deficit on the pension fund of £95.549m represents the difference between the value of the authority's pension fund assets as at 31 March 2011 and the estimated present value of the future pension payments (i.e. liability) to which it was committed at that date. The value of the authority's pension fund assets has increased from £526.109m as at 31 March 2010 to £578.864m as at 31 March 2011, an increase of

£52.755m. The value of the future pension payments liability has reduced from £867.443m as at 31 March 2010 to £674.413m as at 31 March 2011, a reduction of £193.030m.

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

Statutory arrangements for funding the pension deficit mean that the current financial position is robust although future funding of pension liabilities is expected to add to the financial pressures facing local authorities. The deficit on the pension fund will need to be made good by increased contributions over the working life of employees, as assessed by the pension actuary.

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

Notes 33 and 34 to the financial statements provides further information on pension costs.

Borrowing Facilities

At 31 March 2011, the authority's level of borrowing was £185.455m. In accordance with the CIPFA Code on Treasury Management the management of the authority's borrowing portfolio is based on a consolidated approach and not by individual services.

The authority's treasury management policy statement (TMPS) for 2010/11 was approved at Cabinet in March 2010. The TMPS includes treasury management practices which identify the practices and procedures that will be followed to achieve the aims of the TMPS. The treasury management practices are supplemented by a number of "schedules" which contain specific details of the systems and routines employed and the records maintained.

The borrowing strategy concentrates on managing the risk of when to undertake new long-term borrowing. If borrowing is taken too early the difference between the borrowing rate and the investment rate will place severe pressures on the revenue budget in the short-term. If the decision is delayed there is a possibility that long-term interest rates would have risen, placing pressures on the revenue budget in the long-term. The TMPS sets out measures targeted to reduce this risk through a series of forward deals, variable rate borrowing and short-term borrowing.

The level of borrowing has reduced in year by £17.909m. The following table shows the level of borrowing as at the Balance Sheet date:

	31 March 2010 £'000	31 March 2011 £'000
Short term borrowing	(43,713)	(9,738)
Bank overdraft	(2,739)	(4,731)
Long term borrowing	(161,643)	(175,717)
Total borrowing	**(208,095)**	**(190,186)**
(Increase)/Decrease year on year	**(8,601)**	**17,909**

During 2010/11, the authority entered into three forward borrowing deals totalling £30m of which two of these deals totalling £20m became operational in February 2011. The authority made a net repayment of £19m. Note 37 to the financial statements provides further information on borrowings.

Investments

At 31 March 2011, the authority held investments of £56.993m. Investments are made by the in-house treasury team and the authority's external cash manager. The authority uses an external cash manager to take advantage of investment opportunities in specialist markets not covered by the in-house team, such as government stock.

The authority's annual investment strategy (AIS) for 2010/11 was approved at Cabinet in March 2010.

The AIS gives priority to security and liquidity. Security is achieved by selecting only those institutions that meet stringent credit rating criteria or, in the case of non-rated UK building societies, have a substantial asset base, and having limits on the amount invested with any one institution.

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

The level of investment has increased in year by £13.971m. The following table shows the level of investments made as at the Balance Sheet date:

	31 March 2010 £'000	31 March 2011 £'000
Short term investments	26,707	32,969
Cash Equivalents	16,315	24,024
Long term investments	0	0
Total investments	**43,022**	**56,993**
(Increase)/Decrease year on year	**(14,333)**	**13,971**

Note 37 to the financial statements provides further information on investments.

Section 75 of the National Health Service Act 2006

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

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

Note 9 to the financial statements provides further information on these S75 arrangements.

Further Information

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

Catherine Vaughan CPFA
Director of Finance (Section 151 Officer)

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required to**:**

(i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Director of Finance;

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

(iii) Approve the Statement of Accounts.

The Director of Finance' Responsibilities

The Director of Finance is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA[1] Code of Practice on Local Authority Accounting in the United Kingdom. The Director of Finance is required to sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this Statement of Accounts the Director of Finance has**:**

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

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

(iii) complied with the local authority Code.

The Director of Finance has also**:**

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

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

I certify that the accounts present a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Catherine Vaughan CPFA
Director of Finance (Section 151 Officer)
22 June 2011

[1] Chartered Institute of Public Finance and Accountancy/

Brighton & Hove City Council

Single Entity
Core Financial Statements
2010/11

Movement in Reserves Statement

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

Movement in Reserves during 2009/10	Note	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2009		**(11,310)**	**(71,435)**	**(3,902)**	**(6,549)**	**(91)**	**(3,202)**	**(96,489)**	**(1,380,174)**	**(1,476,663)**
(Surplus) / Deficit on the Provision of Services		15,205	0	(89,073)	0	0	0	**(73,868)**	0	**(73,868)**
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	**0**	147,512	**147,512**
Total Comprehensive Income and Expenditure		**15,205**	**0**	**(89,073)**	**0**	**0**	**0**	**(73,868)**	**147,512**	**73,644**
Adjustments between Accounting Basis and Funding Basis under Regulations	**10**	(12,805)	0	89,684	0	118	1,835	**78,832**	(78,832)	**(0)**
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**2,400**	**0**	**611**	**0**	**118**	**1,835**	**4,964**	**68,680**	**73,644**
Transfers (to) / from Earmarked Reserves	**11**	(295)	2,449	(332)	3,029	(29)	0	**4,822**	(4,822)	**0**
(Increase) / Decrease in Year		**2,105**	**2,449**	**279**	**3,029**	**89**	**1,835**	**9,786**	**63,858**	**73,644**
Balance at 31 March 2010		**(9,205)**	**(68,986)**	**(3,623)**	**(3,520)**	**(2)**	**(1,367)**	**(86,703)**	**(1,316,316)**	**(1,403,019)**

Movement in Reserves during 2010/11	Note	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2010		**(9,205)**	**(68,986)**	**(3,623)**	**(3,520)**	**(2)**	**(1,367)**	**(86,703)**	**(1,316,316)**	**(1,403,019)**
(Surplus) / Deficit on the Provision of Services		(74,320)	0	203,781	0	0	0	**129,461**	0	**129,461**
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	**0**	(270,358)	**(270,358)**
Total Comprehensive Income and Expenditure		**(74,320)**	**0**	**203,781**	**0**	**0**	**0**	**129,461**	**(270,358)**	**(140,897)**
Adjustments between Accounting Basis and Funding Basis under Regulations	**10**	68,705	0	(205,782)	0	(1,623)	229	**(138,471)**	138,471	**0**
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**(5,615)**	**0**	**(2,001)**	**0**	**(1,623)**	**229**	**(9,010)**	**(131,887)**	**(140,897)**
Transfers (to) / from Earmarked Reserves	**11**	(1,317)	1,068	924	1,022	250	(23)	**1,924**	(1,927)	**(3)**
(Increase) / Decrease in Year		**(6,932)**	**1,068**	**(1,077)**	**1,022**	**(1,373)**	**206**	**(7,086)**	**(133,814)**	**(140,900)**
Balance at 31 March 2011		**(16,137)**	**(67,918)**	**(4,700)**	**(2,498)**	**(1,375)**	**(1,161)**	**(93,789)**	**(1,450,130)**	**(1,543,919)**

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Year Ended 31 March 2010			Note		Year Ended 31 March 2011		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
				Continuing Services			
42,549	(35,112)	7,437		Central Services to the Public	42,656	(34,275)	8,381
98,010	(28,314)	69,696		Cultural, Environmental, Regulatory and Planning Services	110,448	(28,742)	81,706
267,364	(189,959)	77,405		Children's and Education Services	272,909	(199,738)	73,171
40,415	(25,318)	15,097		Highways and Transport Services	40,975	(26,815)	14,160
(46,254)	(46,189)	(92,443)	5	Housing Services - Housing Revenue Account (HRA)	248,128	(47,241)	200,887
196,638	(179,557)	17,081		Other Housing Services	201,567	(173,407)	28,160
130,787	(47,907)	82,880		Adult Social Care	118,445	(34,925)	83,520
6,363	0	6,363		Corporate and Democratic Core	6,259	0	6,259
1,247	0	1,247	5	Non Distributed Costs	(82,052)	0	(82,052)
737,119	**(552,356)**	**184,763**		**Cost of Services**	**959,335**	**(545,143)**	**414,192**
2,144	(1,931)	213	12	Other Operating Expenditure	4,555	(2,520)	2,035
19,840	(5,945)	13,895	13	Financing and Investment Income and Expenditure	26,366	(8,163)	18,203
0	(272,739)	(272,739)	14	Taxation and Non-Specific Grant Income	0	(304,969)	(304,969)
759,103	**(832,971)**	**(73,868)**		**(Surplus) / Deficit on the Provision of Services**	**990,256**	**(860,795)**	**129,461**
		(53,663)	17	Surplus on Revaluation of Property, Plant and Equipment Assets			(97,638)
		67	26, 37	(Surplus) / Deficit on Revaluation of Available for Sale Financial Assets			(13)
		201,098	34	Actuarial (Gains) / Losses on Pension Assets and Liabilities			(172,707)
		10		Other Comprehensive Income and Expenditure			0
		147,512		**Other Comprehensive Income and Expenditure**			**(270,358)**
		73,644		**Total Comprehensive Income and Expenditure**			**(140,897)**

The Cost of Services in the Comprehensive Income and Expenditure Statement is analysed in accordance with the Best Value Accounting Code of Practice (BVACOP) for consistency and comparability of local authorities. The terminology used within the BVACOP analysis is explained below:

- Central Services to the Public – this includes local tax collection, registration of births, deaths and marriages, elections, emergency planning and local land charges;
- Corporate and Democratic Core – this includes two categories of expenditure; Democratic Representation and Management (DRM) and Corporate Management costs. DRM includes all aspects of members' activities and Corporate Management includes activities that provide the infrastructure that allows services to be provided (e.g. the Chief Executive, external audit, corporate level financing and treasury management);
- Non Distributed Costs – this includes costs relating to post employment benefits.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves (i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use). The second category of reserves is those that the authority is not able to use to provide services (i.e. unusable reserves). This category of reserves includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement under Adjustments between Accounting Basis and Funding Basis under Regulations.

As at 1 April 2009 £'000	As at 31 March 2010 £'000	Note		As at 31 March 2011 £'000
1,746,658	1,876,838	17	Property, Plant & Equipment	1,781,452
49,223	50,073	18	Investment Property	44,353
2,976	3,438	20	Intangible Assets	3,205
2,571	11,698	19	Assets Held for Sale	9,298
2,627	0		Long Term Investments	0
16,728	19,341	38	Long Term Debtors	6,484
1,820,783	**1,961,388**		**Long Term Assets**	**1,844,792**
49,662	26,707	37	Short Term Investments	32,969
981	954	40	Inventories	853
48,171	49,017	37,38	Short Term Debtors	55,234
5,066	16,315	35,37	Cash and Cash Equivalents	24,024
374	2,176	19	Assets Held for Sale	1,900
104,254	**95,169**		**Current Assets**	**114,980**
(3,780)	(2,739)	35,37	Bank Overdraft	(4,731)
(335)	(43,713)	37	Short Term Borrowing	(9,738)
(72,722)	(58,183)	37	Short Term Creditors	(68,570)
(4,171)	(4,780)	24	Provisions	(5,020)
(81,008)	**(109,415)**		**Current Liabilities**	**(88,059)**
(1,199)	(1,798)	24	Provisions	(7,220)
(195,379)	(161,643)	37	Long Term Borrowing	(175,717)
(163,846)	(370,812)	23,34	Other Long Term Liabilities	(123,521)
(6,942)	(9,870)	15	Capital Grant Receipts in Advance	(21,336)
(367,366)	**(544,123)**		**Long Term Liabilities**	**(327,794)**
1,476,663	**1,403,019**		**Net Assets**	**1,543,919**
(96,489)	(86,703)	25	Usable Reserves	(93,789)
(1,380,174)	(1,316,316)	26	Unusable Reserves	(1,450,130)
(1,476,663)	**(1,403,019)**		**Total Reserves**	**(1,543,919)**

Catherine Vaughan CPFA
Director of Finance (Section 151 Officer)
22 June 2011

Cash Flow Statement

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

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

2009/10 £'000	Note		2010/11 £'000
73,868		Net surplus / (deficit) on the provision of services	(129,461)
407,693		Adjustment to surplus / (deficit) on the provision of services for non cash movements	222,736
(483,262)		Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	(60,443)
(1,701)	**35**	**Net Cash Flows from Operating Activities**	**32,832**
7,330	35	Net cash flows from investing activities	(9,891)
6,661	35	Net cash flows from financing activities	(17,223)
12,290		**Net Increase in Cash and Cash Equivalents**	**5,717**
1,286	**35**	**Cash and Cash Equivalents as at 1 April**	**13,576**
13,576	**35**	**Cash and Cash Equivalents as at 31 March**	**19,293**

Notes to the Core Financial Statements

1 Accounting Policies

A. General

The Statement of Accounts summarises the authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Accounts and Audit Regulations 2003 require the authority to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) and the Best Value Accounting Code of Practice 2010/11 (BVACOP) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

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

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

The authority regularly reviews its accounting policies to ensure that they remain the most appropriate, giving due weight to the impact that a change in accounting policy would have on comparability between periods. In accordance with the Code, the authority has disclosed the expected impact of new accounting standards that have been issued but not yet adopted.

Changes in Accounting Estimates and Errors and Prior Period Adjustments

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

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

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

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

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

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

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

Accounting Concepts

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

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

Fair Value

International Financial Reporting Standards do not have a consistent definition of fair value; different definitions apply in different circumstances. The table below shows the provisions the authority applies regarding fair value.

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

Circumstance	Fair Value
	appropriate fair value for initial recognition of the instrument.
Creditors	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

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

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

B. Grants, Contributions and Donated Assets

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

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

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

Grants, contributions and donated assets are credited to service revenue accounts, support services, trading accounts, the Housing Revenue Account and corporate accounts in accordance with BVACOP.

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

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

General grants and contributions (e.g. Revenue Support Grant, NNDR redistribution, Area Based Grant) are disclosed as one item on the face of the Comprehensive Income and Expenditure Statement.

<u>Grants and Contributions for Revenue Purposes</u>

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

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

<u>Grants and Contributions for Capital Purposes</u>

Where a capital grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, the grant or contribution is recognised as part of the Capital Grants Receipts in Advance. Once the condition has been met, the grant or contribution is transferred from the Capital Grants Receipts in Advance and recognised as income in the Comprehensive Income and Expenditure Statement.

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account (within the Usable Reserves section of the Balance Sheet), reflecting its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. When, at a future date, the expenditure to be financed from the grant or contribution is incurred, the grant or contribution (or part thereof) is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

When a capital grant or contribution becomes repayable and where conditions in respect of the grant or contribution have not been met, the repayment is applied against the Capital Grants Receipts in Advance. Where the grant or contribution has previously been recognised as income in the Comprehensive Income and Expenditure Statement (or to the extent that the repayment exceeds the balance in respect of the specific grant or contribution in the Capital Grants Receipts in Advance), the repayment is recognised as an expense in the Comprehensive Income and Expenditure Statement. As the repayment of grants for capital purposes is classed as capital expenditure, the repayment is transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement. Where repayment of a grant relates to an asset, consideration is given to the possible impairment of the asset. Depending on the conditions of the grant, the repayment may be years later and thus impairment may have occurred.

<u>Donated Assets</u>

Donated assets transferred to the authority for nil consideration are recognised immediately at fair value as an asset on the Balance Sheet. The asset is recognised in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) that the authority has not satisfied. Where a donated asset has been recognised as income in the Comprehensive Income and Expenditure Statement, the income shall be transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement.

Where a donated asset has been received, and conditions remain outstanding at the Balance Sheet date, the donated asset is recognised in the Donated Assets Account. Once the condition has been satisfied, the donated asset is transferred from the Donated Assets Account and recognised as income in the Comprehensive Income and Expenditure Statement, and the income is transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement.

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

After initial recognition, donated assets are revalued and depreciated in line with non current assets. In practice the authority does not have any donated assets.

C. Revenue Recognition

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

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

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

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

Sale of Goods

Revenue in relation to the sale of goods is recognised by the authority when the following has been satisfied:

- the authority transfers the significant risks and rewards of ownership of the goods to the purchaser;

- the authority retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the authority can measure the amount of revenue reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority; and
- the authority can measure the costs incurred or to be incurred in respect of the transaction.

Provision of Services

When the outcome of a transaction involving the provision of services can be estimated reliably by the authority, revenue associated with the transaction is recognised by reference to the percentage of completion method at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the authority can measure the amount of revenue reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority;
- the percentage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Supplies

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

Expenses

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

Interest Receivable on Investments and Payable on Borrowings

In relation to interest receivable and payable, revenue is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority; and
- the authority can measure the amount of revenue reliably.

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

Non Exchange Transactions

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

Revenue in relation to non exchange transactions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority; and
- the authority can measure the amount of the revenue reliably.

Accruals of Income and Expenditure

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

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

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

D. Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off;
- amortisation of intangible assets attributable to the service.

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

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

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

Council Tax

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

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

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

Council tax income is included in the Comprehensive Income and Expenditure Statement for the year and represents the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

National Non Domestic Rates (NNDR)

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

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

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

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

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

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

F. Value Added Tax (VAT)

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

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

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

The authority is able to recover VAT from HMRC, providing the partial exemption de minimus is not breached. The authority monitors the VAT partial exemption calculation on a regular basis, a financial model is retained and updated with key proposals of expenditure or increases in exempt income to assess potential partial exemption impact. If necessary appropriate measures are then taken to ensure the authority remains below the de-minimus level.

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

G. Cash and Cash Equivalents

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

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

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

H. Current Assets

The authority classifies an asset as current when:

- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle (i.e. 12 months);
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within 12 months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

The authority classifies all other assets as long term.

I. Inventories

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

Inventories are measured at the lower of cost and net realisable value, except where inventories are acquired through a non exchange transaction (i.e. acquired for less than fair value) in which case their cost is deemed to be their fair value as at the date of acquisition.

Where inventories have been acquired for less than fair value (i.e. a non exchange transaction), the difference between the fair value of the inventories and the consideration paid is recognised in the Surplus or Deficit on the Provision of Services as income when the inventories are sold. In the event that the inventories have not been sold, the difference between the fair value of the inventories and the consideration paid is recognised in the Donated Inventories Account until such time as the inventory has been sold.

The authority includes all costs of purchase, costs of conversions and other costs incurred in bringing the inventories to their present location or condition in the cost of its inventories.

The cost of inventories is attributed to identified items of inventory. Where this is not possible, the authority assigns the cost of inventories using the first in, first out (FIFO) or weighted average cost formula. The authority uses the same cost formula for all inventories having a similar nature and use.

The authority does not carry inventories in excess of amounts that are expected to be realised from their sale or use. In circumstances where the cost of inventories are not recoverable (e.g. where inventories are damaged or become wholly or partially obsolete, or if their selling prices have declined), the cost is written down to the net realisable value or current replacement cost. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value or current replacement cost because of a change in economic circumstances, the amount of the write-down is reversed so the new carrying amount is the lower of cost and the revised net realisable value or is the lower of cost and the revised current replacement cost. The reversal is limited to the amount of the original write-down.

When inventories are sold, exchanged or distributed, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed or related service is rendered. The amount of any write-down of inventories (i.e. to net realisable value or current replacement cost) and all losses of inventories is recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories held either for distribution at no charge or for a nominal charge or for consumption in the production process of goods to be distributed at no charge or for a nominal charge are measured at the lower of cost and current replacement cost.

Where inventories are purchased on deferred settlement terms, the difference between the purchase price for normal credit terms and the amount paid is recognised as interest over the period of the credit in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

The authority, as a service provider, measures inventories, in respect of work in progress at the costs of production including labour, other costs of personnel directly engaged in providing the service and attributable overheads.

J. Debtors

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

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

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

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

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

If payment to the authority is on deferred terms (i.e. beyond normal credit terms), the consideration receivable is recognised initially at the cash price equivalent (that is the discounted amount). The difference between this amount and the total payments received is recognised as interest revenue in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

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

K. Current Liabilities

The authority classifies a liability as current when:

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

The authority classifies all other liabilities as long term.

L. Employee Benefits - Benefits Payable During Employment

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

Short Term Employee Benefits

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

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

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

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

M. Employee Benefits – Termination Benefits

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

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

Termination benefits are charged on an accruals basis to Non Distributed Costs in the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed (i.e. it has a detailed formal plan for the termination and is without realistic possibility of withdrawal) to either terminate the employment of an employee or group of employees before the normal retirements date, or provide termination benefits as a result of an offer made in order to encourage voluntary termination of employment.

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

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

N. Employee Benefits – Post Employment Benefits

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

Employees of the authority are entitled to become members of one of two separate pension schemes according to the terms of their employment:

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

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

The Local Government Pension Scheme

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

- Estimating the benefit that employees have earned (i.e. the liability of the pension fund attributable to the authority) – actuarial techniques are used to estimate the variable that will determine the ultimate cost of providing post employment benefits and to determine how much benefit is attributable to the current and prior periods.
  The main actuarial assumptions for pension benefits comprise demographic assumptions such as mortality, employee turnover and expected early retirement where the employee has the right under the scheme rules. Financial assumptions such as the discount rate and salary and benefit levels are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled.
  Benefits are attributed to periods of service in accordance with a scheme's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, benefits are attributed on a straight-line basis until the date when further service by the employee will lead to no material amount of further benefits.
- Discounting the benefit to determine the present value of the defined benefit obligation – the projected unit credit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees) is used to determine the present value of the authority's defined benefit obligation and the related current service cost and past service cost.
  The rate used to discount post employment benefit obligations is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds; the currency and term of the corporate bonds being consistent with the currency and estimated term of the post employment benefit obligation. The interest cost is computed by multiplying the discount rate as determined at the start of the period by the present value of the defined benefit obligation throughout that period, taking account of any material changes in the obligation.

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

  Where no market price is available, the fair value of scheme assets is estimated by the actuary.
- Determining the amount of actuarial gains and losses – the effects of changes in actuarial assumptions and experience adjustments (i.e. the effects of differences between the previous actuarial assumptions and what has actually occurred) are charged to the Comprehensive Income and Expenditure Statement; the movement in actuarial gains and losses is recognised in the Pension Reserve.
- Where a plan has been changed, determining the resulting past service cost – past service cost usually arises when the benefits payable under an existing defined benefit scheme are changed. Past service costs are measured as the change in the liability resulting from the amendment. Where the amendment vests immediately, the past service costs are recognised immediately regardless of the fact that the cost refers to employee service in previous periods. Sometimes there is a vesting period, in which case the past service cost is amortised on a straight-line basis over the average period until the benefits become vested. The amortisation schedule for past service cost is fixed when the amendment is introduced and is not revised unless there is a curtailment or settlement.

  Where benefits payable under an existing defined benefit scheme attributable to past service are changed, so that the present value of the defined benefit obligation decreases, the resulting reduction in the defined benefit liability shall be recognised as (negative) past service cost over the average period until the change in benefits becomes vested. Where, at the same time as the reduction in liability, other changes are made that result in an increase in the liability under the scheme for the same employees, the change is treated as a single net change.
- Where a scheme has been curtailed or settled, determining the resulting gain or loss – gains and losses on curtailment or settlement (i.e. events that change the liabilities and that are not covered by normal actuarial assumptions) comprise any resulting changes in the present value of the defined benefit obligation, any resulting change in the fair value of the plan assets and any unamortised related past service costs. Gains and losses on curtailments or settlements are recognised when the curtailment or settlement occurs. Before determining the effect of a curtailment or settlement, the obligation is remeasured (and the related plan assets, if any) using current actuarial assumptions.

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

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

The contributions paid to the pension fund (i.e. cash paid as employer's contributions to the pension fund in settlement of liabilities) are charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

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

- the present value of the defined benefit obligation at the Balance Sheet date;
- minus any past service cost not yet recognised (i.e. past service costs that have not vested at the Balance Sheet date);

- minus the fair value at the Balance Sheet date of scheme assets (if any) out of which the obligations are to be settled directly.

Actuarial gains and losses (i.e. changes in the net 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) are debited to the Pensions Reserve.

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

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

The amount that is charged to the Housing Revenue Account for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing the particular pension schemes or funds in which the authority participates. Where the amount payable for the year in accordance with the scheme requirements does not match the amount included in the HRA Income and Expenditure Statement for the year, the recognised cost of pensions borne by the HRA will not match the amount required by statute. This is dealt with by showing the difference as a reconciling item in the Statement of Movement on the Housing Revenue Account Balance.

Where the pension costs charged to the Surplus or Deficit on the Provision of Services or HRA Income and Expenditure Statement under the Code are:

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

Teachers Pension Scheme

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

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

Discretionary Benefits

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

O. Creditors

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

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

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

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

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

If payment by the authority is on deferred terms (i.e. beyond normal credit terms), the consideration payable is recognised initially at the cash price equivalent (that is the discounted amount). The difference between this amount and the total payments is recognised as interest expense in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

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

P. Provisions

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

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

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

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

Where the effect of the time value of money is material, the authority sets the amount of a provision at the present value of the expenditure expected to be required to settle the obligation. The unwinding of the discount due to the passage of time is recognised as interest within the Surplus or Deficit on the Provision of services within the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

Q. Reserves

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

Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

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

Any carry forward of approved underspends are held on the Balance Sheet as a reserve.

R. Contingent Liabilities and Contingent Assets

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

Contingent Liabilities

The authority recognises a contingent liability when it has either:

(i) A possible obligation which has arisen from past events whose existence has been confirmed by the occurrence of one or more certain future events not wholly within the authority's control; or
(ii) A present obligation has arisen from past events but has not been recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

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

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

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

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

Contingent Assets

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

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

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

Where an inflow of economic benefits or service potential is probable the authority discloses, for each class of contingent asset, the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement. Where it is not practicable to disclose information, the authority discloses that fact.

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

S. Overheads and Support Services

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

- Corporate and Democratic Core – costs relating to the authority's status as a multifunctional, democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale;

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of cost of services.

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

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

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

T. Property, Plant and Equipment

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

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

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

Recognition

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

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

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

Where a component is replaced (i.e. enhancements), the authority de-recognises the carrying amount of the old component and reflects the new component in the carrying amount; this is also subject to the above recognition principle.

Initial Measurement

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

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

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

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

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

Donated assets transferred to the authority are measured at their fair value as at the date of acquisition. The difference between fair value and any consideration paid is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Measurement after Recognition

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Classes of assets whose fair value can be measured reliably are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment. When an asset is re-valued, any accumulated depreciation and impairment at the date of valuation is eliminated against the gross carrying amount of the asset and the net amount restated to the re-valued amount of the asset.

Where the carrying amount of property, plant and equipment is increased as a result of a revaluation, the increase is recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement on the same asset or reversing a previous revaluation decrease charged to the Surplus or Deficit on the Provision of Services on the same asset.

A revaluation gain is used to reverse a previous revaluation decrease recognised in the Surplus or Deficit on the Provision of Services on the same asset. The reversal of a revaluation decrease previously recognised in the Surplus or Deficit on the Provision of Services cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no revaluation decrease been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no revaluation decrease been recognised for the asset in prior years is treated as a revaluation gain and credited to the Revaluation Reserve.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation (i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset as opposed to an impairment), the decrease is recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

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

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

Valuations for the Housing Revenue Account (HRA) dwellings and garages and car park assets are undertaken annually. Methods of valuation for both dwellings and garages and car parking spaces have been conducted following government guidance on stock valuation for resource accounting. The approach taken is based on the capitalising of the rental income flow allowing for voids and an adjustment yield to reflect management costs. This is the preferred method of the valuer, which is consistent with other authorities for which they act. In relation to HRA dwellings, the difference in valuation between vacant possession value and existing use as social housing represents the cost to the government of providing council housing at less than open market rents.

Impairment

See separate accounting policy "Impairment of Assets".

Depreciation

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

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

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

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

The depreciation charge is based on the depreciable amount allocated over the useful life of the asset, using a straight line allocation method. Infrastructure assets are depreciated using a straight line allocation of 20 years.

The depreciation charge for each period is recognised in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. As depreciation is not a proper charge to the General Fund, it is subsequently transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. Depreciation for HRA non dwellings charged to the Surplus or Deficit on the Provision of Services are also not proper charges to the Housing Revenue Account; such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. The depreciation charges for HRA dwellings are real charges to the HRA since the Major Repairs Allowance (MRA) is likely to constitute a reasonable estimate of depreciation for HRA dwellings. Where the depreciation for HRA dwellings is less than the MRA, an amount equal to the difference is transferred from the Housing Revenue Account to the Major Repairs Reserve and reported in the Movement in Reserves Statement. Conversely where depreciation charges for HRA dwellings are greater than the MRA, an amount equal to the difference is transferred to the Housing Revenue Account from the Major Repairs Reserve and reported in the Movement in Reserves Statement.

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

De-recognition

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, the authority reclassifies the asset as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

The consideration receivable on disposal of an asset is recognised initially at its fair value. If payment is deferred (i.e. beyond normal credit terms), the consideration received is recognised initially at the cash price equivalent (that is, the discounted amount). The authority recognises the difference between this amount and the total payments received as interest revenue in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

Minimum Revenue Provision

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

U. Leases and Lease Type Arrangements

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

This accounting policy does not apply to the measurement of property held by lessees that is accounted for as investment property or investment property provided by lessors under operating leases (see separate accounting policy for Investment Property).

Lease Classification

The authority classifies leases as either finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

The authority uses the examples of situations in the Code to aid the classification; the example situations that individually or in combination would normally lead to a lease being classified as a finance lease in the Code are:

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

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

Lease classification is made at the inception of the lease.

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

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

As a lessee, where the authority has an interest in both the land and buildings which are classified as an investment property and the fair value model is used, the authority does not separately measure the land and buildings elements. In practice, the authority does not have any lessee arrangements which would be classified as investment properties.

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

Lessee Finance Leases

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

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

Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability (i.e. a charge for the acquisition of the interest in the property, plant and equipment). The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability; the authority uses approximation to allocate the finance lease payments between interest and capital. The finance charge is debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

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

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

Depreciation, impairment and gains and losses on revaluation are charged to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. As these charges are not proper charges to the General Fund or Housing Revenue Accounts, the amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

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

Lessee Operating Leases

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

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

Lessor Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Lessor Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. As lessor, the authority presents assets subject to operating leases according to the nature of the asset. Assets recognised under an operating lease, as a lessor, are depreciated in accordance with the authority's depreciation policy for owned assets.

Costs, including depreciation, incurred in earning the lease income are recognised as an expense.

Rental income from operating leases is recognised over the lease term in the Comprehensive Income and Expenditure Statement. The authority accounts for any premium paid on entry into an operating lease as a prepayment of rent

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

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

Assets Disposed of by Means of a Finance Lease

Gains and losses on the disposal of property, plant or equipment by way of a finance lease are subject to the requirements under the authority's property, plant and equipment accounting policy. Gains and losses on the disposal of an investment property by way of a finance lease are subject to the requirements under the authority's investment property accounting policy.

Amounts received as part of the repayment of a finance lease that reduces the authority's obligation are classed as capital receipts. The authority recognises the capital receipt by debiting the Capital Adjustment Account and crediting the Capital Receipts Reserve.

Sale and Leaseback Transactions

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

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

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

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

Arrangements containing a Lease

The authority may enter into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant and equipment) in return for a payment or series of payments. The authority classifies arrangements as a lease or containing a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (i.e. the right to control the use of the underlying asset).

The authority determines that fulfilment of the arrangement is dependent on the use of a specific asset if an asset is explicitly identified in the arrangements. However although a specific asset may be explicitly identified in an arrangement, it is not the subject of a lease if fulfilment of the arrangement is not dependent on the use of the specified asset. An asset has been implicitly specified if, for example, the supplier owns or leases only one asset with which to fulfil the obligation and it is not economically feasible or practicable for the supplier to perform its obligation through the use of alternative assets.

The authority determines that the arrangement conveys a right to use the asset if any one of the following conditions is met:

- The authority has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;
- The authority has the ability or right to control physical access to the underlying asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;
- Facts and circumstances indicate that it is remote that one or more parties other than the authority will take more than an insignificant amount of the output or other utility that will be produced or generated by the asset during the term of the arrangement, and the price that the authority will pay for the output is neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery of the output.

The assessment of whether an arrangement contains a lease is made at the inception of the arrangement. A reassessment of whether the arrangement contains a lease after the inception of the arrangement is made by the authority only if any one of the following conditions is met:

- There is a change in the contractual terms, unless the change only renews or extends the arrangement;
- A renewal option is exercised or an extension is agreed to by the parties to the arrangement, unless the term of the renewal or extension had initially been included in the lease term;
- There is a change in the determination of whether fulfilment is dependent on a specified asset;
- There is a substantial change to the asset, for example a substantial physical change to property, plant or equipment.

If an arrangement contains a lease, that lease is classified as a finance lease or an operating lease in accordance with the authority's lease accounting policy.

In assessing the lease, the authority separates the payments and other consideration required by the arrangement at the inception of the arrangement or upon a reassessment of the arrangement into those for the lease and those for other elements on the basis of their relative fair values. The minimum lease payments include only payments for the lease and exclude payments for other elements in the arrangement (e.g. for services and the cost of inputs).

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

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

V. Private Finance Initiative (PFI) and Similar Contracts

The authority accounts for PFI and similar schemes in a manner that is consistent with the adaptations of IFRIC 12 *Service Concession Arrangements* contained in the government's *Financial Reporting Manual (FReM).*

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the authority at the end of the contracts for no additional charge, the authority carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The authority applies two control tests in determining whether an arrangement is to be accounted for as a PFI or similar arrangement:

- whether the authority controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price;
- whether the authority controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where neither test is met, the authority recognises expenditure as it is incurred. Where the first test is met but the second test is not, the authority considers whether the arrangement meets the definition of a lease (see accounting policy on leases). Where the second test is met but the first test is not, the authority recognises as an asset the excess of the expected fair value of the infrastructure at the end of the arrangement over the amount it will be required to pay the operator upon reversion. The asset is built up from payments made by the authority to the operator over the life of the PFI or similar arrangement.

Where both control tests are met, the authority accounts for the arrangement as a PFI or similar arrangement.

Recognition

Infrastructure within the scope of a PFI or similar arrangement is recognised by the authority as property, plant and equipment with a related liability being recognised at the same time. The infrastructure and related liability is recognised at the point that it is probable that future economic or service benefits associated with the infrastructure will flow to the authority; and at the point that the cost of the infrastructure can be measured reliably. This is when the asset is made available for use unless the authority bears an element of the construction risk. Where the authority does bear the construction risk, it recognises an asset under construction prior to the asset being made available for use where it is probable that the expected future benefits attributable to the asset will flow to the authority. Separate assets are recognised in respect of land and buildings where appropriate.

Non current assets in relation to PFI or similar arrangements recognised on the Balance Sheet are accounted for using the policies applied generally to other property, plant and equipment owned by the authority.

Where the operator enhances infrastructure already recognised on the Balance Sheet of the authority, the authority recognises the fair value of the enhancement in the carrying value of the infrastructure where the recognition criteria are met (see accounting policy for property, plant and equipment). The policy of componentising assets also applies to PFI or similar arrangements and this approach is adopted for PFI or similar arrangements where appropriate. Where components of the existing infrastructure are replaced, the authority applies the de-recognition policy (see accounting policy for property, plant and equipment). A new liability is recognised or the existing liability increased to reflect the authority's requirement to pay for the enhancement.

Measurement

For assets owned by the authority prior to the PFI or similar contract and then transferred to the operator as part of the contract the asset is recognised at the fair value at the time the asset was transferred. For assets acquired or constructed by the operator under the contract the asset is recognised at the cost of purchase or construction. This value is also used as the basis for calculating the liability for amounts due to the operator to pay for the assets.

Where a PFI or similar arrangement can be separated into a service element and a construction element, the service element is expensed as incurred and the construction element is accounted for as if it were a finance lease. In this case, subsequent to initial recognition, the infrastructure is measured following the authority's principles for assets acquired under a finance lease (see accounting policy for leases). The liability is measured in a similar manner to the liability resulting from a finance lease. The liability is reported as a financial liability but is measured under the authority's policy for leases.

Where a PFI or similar arrangement cannot be separated into a service element and a construction element, the infrastructure and related liability is measured initially at the fair value of the infrastructure. In this case, subsequent to initial recognition, the infrastructure shall be measured following the authority's principles for assets purchased or constructed by the authority (see accounting policy for property, plant and equipment). Scheduled payments under the arrangement are allocated between:

- operating costs to reflect the service element of the arrangement;
- repayment of the liability; and
- an imputed finance charge (based on the interest rate implicit in the contract). Where it is not possible to determine the rate implicit in the contract, the authority uses its cost of capital rate (including inflation).

The liability is measured as a financial instrument based on the repayment of the liability element and the imputed finance charge element of the scheduled payments above, using the same actuarial method used for finance leases (see accounting policy for leases).

Payments

Where a PFI or similar arrangement can be separated into construction and service elements, the payments for each element are readily identifiable. The service element is charged as expenditure is incurred. The construction element is allocated into an element relating to the repayment of the liability and an interest element in accordance with the arrangements for a finance lease (see accounting policy for leases). The interest element is charged as incurred to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement, with the balance of the payment used to reduce the outstanding liability on the Balance Sheet.

Where the PFI or similar arrangement cannot be separated into construction and service elements, the amounts payable to the operator each year (i.e. the total unitary payment) are analysed into three elements:

- the service charge element – the fair value of the services received during the year – charged to the relevant cost of service within the Comprehensive Income and Expenditure Statement;
- repayment of the liability – applied to write down the Balance Sheet liability to the PFI operator;
- interest element – an interest charge (using the interest rate implicit in the contract) on the outstanding Balance Sheet liability, charged to Financing and Investment Income within the Comprehensive Income and Expenditure Statement.

Prepayments and Capital Contributions

Where PFI or similar contracts are structured to require payments to be made (either as part of a unitary payment or as a lump sum contribution) before the related infrastructure is recognised as an asset on the Balance Sheet, these payments are recognised as prepayments. The prepayments are applied to reduce the outstanding liability.

Any prepayments and contributions are taken into account when estimating the fair value of the asset and liability and the separation of payments into the liability, interest and service charge elements.

Depreciation and Impairment

Assets recognised under a PFI or similar arrangements are depreciated and revalued using the policies applied generally to other property, plant and equipment owned by the authority (see accounting policy for property, plant and equipment). In assessing the economic life of the asset, the authority considers the terms of the arrangement.

Where there is evidence that an asset recognised under a PFI or similar arrangement may have been impaired, an impairment review will be carried out. Where an asset has been impaired, the authority accounts for the impairment in accordance with the authority's policy applied to other property, plant and equipment (see accounting policy for impairment).

Income Received

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

W. Investment Property

The authority accounts for investment property in accordance with IAS 40 *Investment Property* except where interpretations or adaptations to fit the public sector are detailed in the Code.

This accounting policy applies only to investment property interests held by the authority, as a lessor, under a lease and to investment property provided to the authority, as a lessee, under an operating lease. Other aspects of lease accounting are covered by the accounting policy for leases.

Classification

The authority only accounts for property that is used solely to earn rentals and/or for capital appreciation or both as investment property. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

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

Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation is accounted for as property, plant and equipment by the authority (see accounting policy for property, plant and equipment).

Recognition and Measurement

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the authority and the cost or fair value of the investment property can be measured reliably.

The authority evaluates the costs of an investment property when they are incurred. The costs include acquisition costs and costs incurred subsequently to add to, replace part of or service an investment property, but do not include day-to-day repairs and maintenance.

Where part of an investment property is replaced, the authority recognises in the carrying value of the investment property the cost of the replacement; the carrying amount of those parts that are replaced is de-recognised. Investment property is measured initially at cost. The cost of an investment property includes its purchase price, transaction costs and directly attributable expenditure. Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The initial cost of a lease interest classified as an investment property is as prescribed for a finance lease (see accounting policy for leases). Where an investment property is acquired in exchange for a non-monetary asset, the cost of the investment property is its fair value at the time of the exchange, or, where this cannot be reliably determined, the carrying amount of the asset given up.

As the fair value of investment property must reflect market conditions at the Balance Sheet date, the authority only uses a periodic revaluation approach for investment property where the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date. The authority does not charge depreciation on investment property.

After initial recognition, investment property is measured at fair value. A gain or loss arising from a change in the fair value of investment property is recognised in Financing and Investment Income and Expenditure in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement for the period in which it arises.

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

De-Recognition

An investment property is de-recognised on disposal (by sale or by entering into a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are recognised in Financing and Investment Income and Expenditure in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement (unless on a sale and leaseback arrangement) in the period of the retirement or disposal. The gain or loss is not a proper charge to the General Fund or Housing Revenue Account. As a result the General Fund or Housing Revenue Account is debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on de-recognition of the investment property (net of any disposal costs), with a credit to the Capital Receipts Reserve of an amount equal to the disposal proceeds and a debit to the Capital Adjustment Account of an amount equal to the carrying amount of the investment property. The cost of disposal in relation to the General Fund remains as a charge to the Comprehensive Income and Expenditure Statement against the General Fund balance; however, HRA disposal costs are met from capital receipts. Capital receipts are appropriated to the Capital Receipts Reserve and reported in the Movement in Reserves Statement.

Compensation from third parties for investment property that becomes impaired, lost or is given up is recognised in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement when it becomes receivable.

Minimum Revenue Provision

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

Rentals Received in relation to Investment Property

Rentals received in relation to investment properties are credited to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund balance.

X. Intangible Assets

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

Recognition and Measurement

An intangible asset is recognised if it is controlled by the authority as a result of past events and it is probable that the expected future economic benefits or service potential attributable to the asset will flow to the authority.

Expenditure on intangible assets is capitalised where it will bring benefits to the authority for more than one financial year. An intangible asset is measured initially at cost.

Expenditure incurred on an intangible asset after it has been recognised is charged to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement as it is incurred unless it meets the recognition criteria in the Code.

Expenditure on an intangible item that was initially recognised (i.e. in a prior year) as an expense is not recognised as part of the cost of an intangible asset at a later date.

Government Grants

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

Internally Generated Assets

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

- the technical feasibility of completing the asset so it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate future economic benefits or deliver service benefits (either by demonstrating a market for the asset or the usefulness of the asset);
- the availability of adequate resources to complete the asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Development of Websites

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

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

Measurement after Recognition

Intangible assets are typically carried at cost.

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

Useful Life

The authority assesses whether the useful life of an intangible asset is finite, or indefinite, and, if finite, the length of that life. The useful life of an intangible asset that arises from contractual or other legal rights does not exceed the period of these rights (unless they can be renewed, when the useful life includes the renewal period only if there is evidence to support renewal by the authority).

Amortisation

The authority amortises intangible assets with a finite useful life over their expected useful life, beginning when the intangible asset is available for use. The provision of amortisation is charged to the relevant cost of service in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. The amortisation charge is not a proper charge to the General Fund or Housing Revenue Account and therefore is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

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

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

Impairment

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

An impairment loss on a revalued intangible asset is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset (i.e. up to the historical cost of the asset) and thereafter to the relevant cost of service in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. As these charges are not proper charges to the General Fund or Housing Revenue Account, they are subsequently transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The authority only recognises a reversal of an impairment loss on an intangible asset in the limited circumstance that the increase in value is attributable to the unexpected reversal of the external event that caused the original impairment to be recognised.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

De-Recognition

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from the asset. The gain or loss arising from de-recognition of an intangible asset is the difference between the net disposal proceeds (if any) and the carrying amount of the asset. The gain or loss is recognised in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement when the asset is de-recognised. The gain or loss on de-recognition of an intangible asset is not a proper charge to the General Fund or Housing Revenue Account. As a result the General Fund or Housing Revenue Account is debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on de-recognition of the intangible asset (net of any disposal costs), with a credit to the Capital Receipts Reserve of an amount equal to the disposal proceeds and a debit to the Capital Adjustment Account of an amount equal to the carrying amount of the intangible asset. The cost of disposal in relation to the General Fund remains as a charge to the Comprehensive Income and Expenditure Statement against the General Fund balance; however, HRA disposal costs are met from capital receipts. Capital receipts are appropriated to the Capital Receipts Reserve and reported in the Movement in Reserves Statement.

Where the intangible asset is carried at fair value, any balance on the Revaluation Reserve in relation to the intangible asset is transferred to the Capital Adjustment Account by debiting the Revaluation Reserve and crediting the Capital Adjustment Account; this transfer being reflected in the Movement in Reserves Statement.

Minimum Revenue Provision

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

Y. Revenue Expenditure Funded from Capital under Statute

The authority accounts for revenue expenditure funded from capital under statute in accordance with proper practice under the Code; there is no IFRS or IAS that deals with these items as they are a statutory departure from normal accounting practice.

Legislation allows some expenditure (e.g. grants and expenditure on property not owned by the authority) incurred by the authority during the year to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non current asset; this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund or Housing Revenue Account and impact on that year's council tax.

Such expenditure is charged to the relevant Cost of Service in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. The authority accounts for this statutory provision that allows capital resources to meet the expenditure by debiting the Capital Adjustment Account and crediting the General Fund balance with the transfer being reported in the Movement in Reserves Statement.

Z. Impairment of Assets

The authority accounts for impairments in accordance with IAS 36 *Impairment of Assets* except where interpretations or adaptations to fit the public sector are detailed in the Code.

This accounting policy does not apply to impairment of assets in relation to employee benefits, financial instruments, investment property, intangible assets, insurance contracts or inventories.

The authority accounts for impairments to ensure that assets are carried at no more than their recoverable amount; an asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the authority describes the asset as impaired and recognises an impairment loss.

Recognition

At the end of each reporting period, the authority undertakes an assessment as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount is estimated, and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. If no indication of an impairment loss is present, a formal estimate of the recoverable amount is not required. The indication that the impairment loss recognised for an asset may no longer exist or may have decreased may also indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset; therefore the authority will also review these aspects for the particular asset at the same time.

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

An impairment loss on a revalued asset is recognised in the Revaluation Reserve and reported in the Movement in Reserves Statement to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset (i.e. up to the historical cost of the asset) and thereafter in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. As the element of the impairment loss charged to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement is not a proper charge to the General Fund or Housing Revenue Account, the amount is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

An impairment loss on a non revalued asset (i.e. an asset with a carrying value based on historical costs) is recognised in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

Reversing an impairment

At the end of each reporting period, the authority undertakes an assessment as to whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the authority estimates the recoverable amount of that asset.

The authority only recognises a reversal of an impairment loss of an asset (previously recognised in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement) if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years; therefore any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve. As the element of the reversal of the impairment loss charged to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement is not a proper charge to the General Fund or Housing Revenue Account, the amount is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

AA. Asset Componentisation

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

The policy for componentisation has been applied from 1 April 2010.

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

This policy is only applied to building elements of assets categorised as property, plant and equipment and that are subject to depreciation. Vehicles, plant and equipment assets are excluded from this policy as they do not have separately identifiable components of significant value or a significant difference in asset life. Community assets are unlikely to be componentised as they are held at either cost or nil value. Assets under construction are not considered for componentisation until they become operational.

Although investment properties are non depreciating assets; they are still considered for componentisation purposes using the deminimis threshold. The authority does not consider infrastructure assets for componentisation at the moment.

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

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

BB. Borrowing Costs in relation to Assets

The authority accounts for borrowing costs in accordance with IAS 23 *Borrowing Costs* except where interpretations or adaptations to fit the public sector are detailed in the Code.

The authority recognises all borrowing costs in respect of qualifying assets as an expense in the period in which they are incurred; they are included in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

CC. Assets Held for Sale

The authority accounts for assets held for sale in accordance with IFRS 5 *Non Current Assets Held for Sale and Discontinued Operations* except where interpretations or adaptations to fit the public sector are detailed in the Code.

This accounting policy does not apply to the measurement of assets in relation to employee benefits, financial instruments, investment property or insurance contracts.

Recognition

The authority recognises a non current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continued use. The authority applies the following criteria to assess whether an asset can be recognised as held for sale:

- Is the asset (or disposal group) available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- Is the sale highly probable; is the appropriate level of management committed to a plan to sell the asset and has an active programme to locate a buyer and complete the plan been initiated;
- Is the asset (or disposal group) being actively marketed for a sale at a price that is reasonable in relation to its current fair value;
- Is the sale expected to qualify for recognition as a completed sale within one year of the date of classification and does action required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If all the above criteria are not met, the authority continues to account for the asset in accordance with the accounting policy for the relevant classification of the asset.

If after the reporting period but before authorising of the financial statements, the criteria for recognition are met, the authority discloses the information within the notes to the accounts.

Assets that are to be abandoned or scrapped are not classified as non current assets held for sale as the carrying amount of such assets will not be recovered from sale but from continued use up to the point of being scrapped or abandoned.

Assets that are surplus to service needs but do not meet the definition of either an investment property or assets held for sale are accounted for by the authority as property, plant and equipment and are classified under a sub classification of property, plant and equipment termed “surplus assets”.

Measurement

The authority measures a non current asset classified as held for sale at the lower of its carrying value and fair value less costs to sell at initial reclassification and at the end of each reporting date, subject to recognising any gains.

When the sale is expected to occur beyond one year, the authority measures the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time represents the unwinding of the discounting and is presented in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement as a financing cost.

Immediately before the initial classification of an asset as held for sale, the carrying amount of the asset is measured in accordance with the accounting policy for the relevant classification of the asset.

The authority recognises a revaluation gain for any initial or subsequent increase in fair value less costs to sell an asset following reclassification, but not in excess of the cumulative impairment loss or revaluation loss (adjusted for depreciation) that has been recognised in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement (i.e. the authority uses a revaluation gain to reverse previous impairment or revaluation losses that have been recognised in the Surplus or Deficit on the Provision of Services).

The authority recognises an impairment loss or revaluation loss for any initial or subsequent decrease in fair value less costs to sell following reclassification, in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement (even where there is a balance on the asset’s Revaluation Reserve).

Depreciation

The authority does not depreciate (or amortise in relation to intangible assets) a non current asset (or disposal group) classified as held for sale.

De-Recognition

A revaluation gain or loss not previously recognised in the carrying amount of a non current asset by the date of sale is recognised in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal at the date of de-recognition.

Please refer to the accounting policy for property, plant and equipment or intangible asset, whichever is relevant, for the policy on gains and losses on disposal of a non current asset held for sale.

Changes to a Plan of Sale

If the criteria for recognising an asset as a non current asset held for sale are no longer met, the authority ceases to classify the asset (or disposal group) as held for sale and values the asset at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and its recoverable amount at the date of the decision not to sell.

For an asset previously carried at historical cost before classification as held for sale, any adjustment to the carrying amount is recognised in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement, in the period that the criteria are no longer met.

For an asset previously carried at a re-valued amount before classification as held for sale, any adjustment to the carrying amount is treated as a revaluation increase or decrease and recognised in the Revaluation

Reserve in the period that the criteria are no longer met. A revaluation decrease is recognised up to the balance on the Revaluation Reserve and thereafter in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

DD. Capital Receipts

The authority has a de-minimis level of £10,000 for capital receipts from the sale of assets. Amounts below this level are credited to the Comprehensive Income and Expenditure Statement; amounts above this level are credited to the Comprehensive Income and Expenditure Statement and subsequently transferred to the Capital Receipts Reserve to support the Capital Investment Programme. In circumstances where the authority sells individual assets on a piecemeal basis over a period of time which are individually valued at less than the de-minimis level but are all related, the authority treats these individual sales as being over the de-minimis level and thereby transfers them to the Capital Receipts Reserve to support the Capital Investment Programme.

Please refer to the accounting policy for the relevant classification of asset for the accounting treatment of the respective gain or loss on the sale of assets.

Please refer to the accounting policy for property, plant and equipment for the treatment of the sale of council dwellings.

The authority maximises its resources from the sale of non "Right to Buy" housing assets to fund the capital programme through qualifying for a concession to the set aside rules to the Governments Housing Capital Receipts Pool by reinvesting part of the proceeds in social housing.

Capital receipts that do not arise from the disposal of a fixed asset are credited to the Comprehensive Income and Expenditure Statement and subsequently transferred to the Capital Receipts Reserve and reported in the Movement in Reserves Statement.

EE. Financial Assets and Liabilities - Financial Instruments

The authority accounts for financial instruments in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, IAS 32 *Financial Instruments: Presentation* and FRS 7 *Financial Instruments: Disclosures*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

Initial Recognition

The authority recognises a financial asset or liability in the Balance Sheet when, and only when, it becomes a party to the contractual provisions of the instrument. In the case of a financial asset or a derivative, this is when the purchaser becomes committed to the purchase (i.e. the contract date) and is usually referred to as the 'trade date'. The sale of a financial asset is also recognised on the trade date. In respect of trade receivables, the receivable is recognised when the ordered goods or services have been delivered or rendered. Similarly a trade payable is recognised when the ordered goods or services have been received. In the case of a financial liability the authority does not become a party to the contractual provisions of a financial liability unless one of the parties has performed, for example, a loan debt contract is recognised by the authority, as the borrower, when the cash lent is received rather than when the authority became committed to the loan agreement and a trade payable is recognised when the ordered goods or services have been received.

Initial Measurement

Financial assets and liabilities are measured initially at fair value less, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include internal administrative costs.

The authority deems the transaction price to be the fair value unless the transaction is not based on market terms; in such cases, the authority uses a valuation technique to determine the appropriate fair value for initial recognition of the instrument.

Classification

The authority classifies its financial instruments on initial recognition in accordance with their inherent characteristics.

The authority classifies its financial assets as current when:

- it expects to realise or sell the financial asset in its normal operating cycle;
- it holds the financial asset primarily for the purpose of trading;
- it expects to realise the financial asset within 12 months after the reporting period; or
- the financial asset is cash or cash equivalent.

All other financial assets are classified as long term financial assets.

The authority classifies its financial assets as either:

- loans and receivables – defined as assets that have fixed or determinable payments and are not quoted in an active market;
- available for sale assets – defined as all assets that are not required to be classified as at fair value through profit or loss or as loans receivables;
- fair value through profit or loss – defined as all assets that are acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or a derivative.

The authority classifies financial liabilities as current when:

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

All other financial liabilities are classified as long term financial liabilities.

The authority classifies its financial liabilities as either:

- fair value through profit or loss - defined as all liabilities that are acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or a derivative;
- amortised cost – defined as all liabilities other than liabilities held for trading (i.e. fair value through profit or loss).

Subsequent Recognition

The accounting treatment of a financial liability and a financial asset after initial recognition applied by the authority depends on its classification on initial recognition.

The authority fully accrues for interest on external borrowing to ensure that financial assets and liabilities are carried at either amortised cost or fair value (each of which takes account of interest due as part of the carrying amount of the instrument). Accruals of interest are accounted for as part of the amortised cost/fair value of the associated financial instrument, with interest split between short and long term liabilities.

Interest payable and receivable on borrowings is accounted for by the authority in the year to which it relates on a basis that reflects the overall effect of the loan or investment. The amount recharged to the Housing Revenue Account for borrowings is based on the Item 8 Credit and Item 8 Debit (General) Determination for that year.

<u>Financial Liabilities</u>

Financial liabilities are carried at amortised cost.

Interest payable is charged to the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument; for most cases this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. When calculating the effective interest rate, the authority estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The effective interest rate used is based on discounting the estimated cash flows and contractual life.

If the authority revises its estimates of payments or receipts, it adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The authority recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised as income or expenditure in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

Loans and Receivables

The carrying amount of loans and receivables and the interest income receivable is measured following initial recognition at amortised cost.

Interest receivable is credited to the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure based on the carrying amount of the asset multiplied by the effective rate of interest for the financial instrument; for most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When calculating the effective interest rate, the authority estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The effective interest rate used is based on discounting the estimated cash flows and contractual life.

If the authority revises its estimates of payments or receipts, it adjusts the carrying amount of the financial asset to reflect actual and revised estimated cash flows. The authority recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised as income or expense in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

Available for Sale Financial Assets

After initial recognition the carrying amount of an available for sale financial asset is measured at its fair value, without any deduction for transactions costs that would be incurred on sale or other disposal. The authority uses the following hierarchy in determining a reliable measure of the fair value:

- Active Market - instruments with quoted market prices – published price quotations in an active market are considered the best evidence of fair value and if available are used to measure the financial instrument;
- Non Active Market - other instruments with fixed and determinable payments – if the market for the financial instrument is not active, the authority uses a discounted cash flow analysis valuation technique to establish the fair value.

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

Where the asset has fixed or determinable payments, interest receivable is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

The gain or loss arising from a change in the fair value of an available for sale financial asset is recognised in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and taken to the Available for Sale Financial Instruments Reserve except for impairment losses and foreign exchange gains and losses which are recognised in the Surplus or Deficit on the Provision of Services under Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement. The calculation of the gain or loss is based on the "clean" price of the instrument (i.e. its fair value excluding accrued interest and the amortised cost of the instrument also excluding accrued interest).

Fair Value through Profit and Loss

After initial recognition the carrying amount of a financial asset at fair value through profit or loss is measured at its fair value, without any deduction for transaction costs that would be incurred on sale or other disposal. See available for sale financial assets section above for how fair value is estimated.

A change in the fair value of a financial asset at fair value through profit or loss is recognised in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

Debt Redemption

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

For debt where the Government provides revenue support, the authority sets aside a sum of 4% of the notional debt relating to capital investment, but excluding capital investment on the HRA housing stock because there is no housing subsidy payable on these repayments.

For debt where no Government support is received, the authority sets aside a sum equivalent to repaying debt over the life of the asset in equal annual instalments.

In addition, the authority may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefits that may accrue to the authority.

De-Recognition

Financial Liabilities

The authority derecognises a financial liability when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid including any non cash assets transferred or liabilities assumed (i.e. the gain or loss) is recognised in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

The authority accounts for an exchange between an existing borrower and lender of debt instruments with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the authority accounts for a substantial modification of the terms of an existing financial liability or a part of it as an extinguishment of the original financial liability and the recognition of a new financial liability.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts incurred on the early repayment of loan debt have been charged or debited to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The difference between the amount charged or credited in the year to the Comprehensive Income and Expenditure Statement and the amount debited or credited to the General Fund balance in accordance with the regulations is debited or credited to the General Fund balance with the double entry going to the Financial Instruments Adjustment Account and the adjustment reported in the Movement in Reserves Statement.

Financial Asset

A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset have expired or have been transferred. For loans and receivables, any gains and losses that arise on de-recognition of the asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

In relation to available for sale financial assets, any gains and losses that arise on de-recognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, along with any cumulated gains or losses previously recognised in the Comprehensive Income and Expenditure Statement.

Impairment and Uncollectability of Financial Assets

The authority only impairs a financial asset and recognises an impairment loss if there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. Expected losses as a result of future events are not recognised.

At each Balance Sheet date, the authority makes an assessment of whether there is objective evidence that any financial asset may be impaired.

If there is objective evidence that impairment of a financial asset carried at amortised cost has been incurred and the carrying amount exceeds its estimated recoverable amount (i.e. the present value of the expected future cash flows discounted at the instrument's original effective interest rate), the asset is impaired. The carrying amount is reduced to its recoverable amount through an allowance account. The amount of the loss is charged to the relevant cost of service (for receivables specific to that service) or Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement but should the loss be subsequently reduced (i.e. after the impairment was recognised) the loss will be reversed through the Comprehensive Income and Expenditure Statement.

If there is objective evidence of impairment of an available for sale financial asset, the cumulative gain or loss (i.e. the difference between the amortised acquisition costs and current value less any impairment loss previously recognised in the Surplus or Deficit on the Provision of Services) previously recognised in Other Comprehensive Income and Expenditure is transferred from the Available for Sale Financial Instruments Reserve and recognised in the Surplus or Deficit on the Provision of Service within the Comprehensive Income and Expenditure Statement, even though the asset has not been sold. If the fair value of an investment in an available for sale financial asset increases subsequent to its impairment and the increase can be objectively related to an event occurring after the loss was recognised, the loss is reversed through the Surplus or Deficit on the Provision of Service within the Comprehensive Income and Expenditure Statement

If there is objective evidence of a financial asset that is carried at cost (i.e. because its fair value cannot be reliably measured), the amount of the impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar loss. The loss is charged to the Surplus or Deficit on the Provision of Service within the Comprehensive Income and Expenditure Statement and such impairment losses are not reversed.

Once a financial asset has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

FF.Landfill Allowance Trading Scheme (LATS)

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

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

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

GG. Events after the Balance Sheet Date

The authority accounts for events after the Balance Sheet date in accordance with IAS 10 *Events after the Reporting Period*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

The authority reflects in its financial statements events after the reporting period up to the date the accounts were authorised for issue. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

The financial statements of the authority are authorised for issue in accordance with the Accounts and Audit Regulations 2003. The date the accounts are authorised for issue is:

Un audited Accounts	The date on which the responsible finance officer certifies that the accounts give a true and fair view of the authority's financial position and financial performance in advance of approval
Audited Accounts (where opinion issued in advance of conclusion of audit	The date on which the responsible finance officer re-certifies that the accounts give a true and fair view of the authority's financial position and financial performance
Audited accounts (where no opinion issued prior to the conclusion of audit)	The date on which the responsible finance officer re-certifies that the accounts give a true and fair view of the authority's financial position and financial performance.
Audited accounts (where opinion previously issued prior to the conclusion of audit	The date on which the responsible finance officer re-certifies that the accounts give a true and fair view of the authority's financial position and financial performance.

In accordance with the regulations, the authority prepares a Statement of Accounts by 30 June following the end of the reporting period which is approved by the Chief Finance Officer. Following the audit, the Statement of Accounts are approved by members and signed by the chair of the Audit Committee by 30 September. The authority also publishes its audited Statement of Accounts by 30 September following the end of the reporting period. In the event that the audit has not been completed by this date, the authority publishes its un-audited Statement of Accounts by 30 September following the end of the reporting period and its audited Statement of Accounts as soon as practicable thereafter.

The authority adjusts the amounts recognised in its financial statements to reflect adjusting events (i.e. those events that provide evidence of conditions that existed at the end of the reporting period) after the reporting period; however, it does not adjust the amounts for non-adjusting events (i.e. those events that are indicative of conditions that arose after the reporting period).

HH. Exceptional Items

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

II. Foreign Currency Translation

The authority accounts for exchange rates and exchange rate movements in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* except where interpretations or adaptations to fit the public sector are detailed in the Code. Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

2 TRANSITION TO IFRS

With effect from the 2010/11 reporting period, the authority is required to present its financial statements on an IFRS basis and adopt the IFRS based Code of Practice on Local Authority Accounting. The authority is required to account for the transition to IFRS in accordance with IFRS 1 *First Time Adoption*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

The Code requires accounting policy changes arising out of the adoption of the IFRS based Code to be accounted for retrospectively unless the Code requires an alternative treatment.

The transition date to IFRS for local government is 1 April 2009 and the authority has prepared its opening Balance Sheet at that date. An explanation of how the transition from the previous requirements under UK GAAP to the new requirements under IFRS has affected the authority's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables:

Effect of IFRS adjustments on the transition Balance Sheet as at 1 April 2009

			As at 1 April 2009		
IFRS Terminology	**Items under UK GAAP**	**Note**	**Under UK GAAP (SORP) £'000**	**Effect of Transition to IFRS £'000**	**Under IFRS (IFRS Code) £'000**
Property, Plant & Equipment	Operational assets plus non operational assets excluding	(a) & (b)	1,708,976	37,682	1,746,658
Investment Property	Investment properties	(a) & (b)	185,176	(135,953)	49,223
Intangible Assets	Intangible assets		2,976	0	2,976
Assets Held for Sale	Not under UK GAAP	(a)	0	2,571	2,571
Long Term Investments	Long term investments		2,627	0	2,627
Long Term Debtors	Long term debtors	(b)	10,667	6,061	16,728
Long Term Assets	**Long Term Assets**		**1,910,422**	**(89,639)**	**1,820,783**
Short Term Investments	Short term investments	(c)	54,728	(5,066)	49,662
Inventories	Stocks and work in progress		981	0	981
Short Term Debtors	Debtors	(d)	49,001	(830)	48,171
Cash and Cash Equivalents	Cash in hand and at bank	(c)	0	5,066	5,066
Assets held for sale	Not under UK GAAP	(a)	0	374	374
Current Assets	**Current Assets**		**104,710**	**(456)**	**104,254**
Bank Overdraft	Bank overdraft		(3,780)	0	(3,780)
Short Term Borrowing	Short term borrowing		(335)	0	(335)
Short Term Creditors	Creditors	(d)	(80,002)	7,280	(72,722)
Provisions	Not under UK GAAP	(e)	0	(4,171)	(4,171)
Current Liabilities	**Current Liabilities**		**(84,117)**	**3,109**	**(81,008)**
Provisions	Provisions		(1,199)	0	(1,199)
Long Term Borrowing	Long term borrowing		(195,379)	0	(195,379)
Other Long Term Liabilities	Deferred credits, deferred liability, pension liability, government grants deferred, government grants unapplied and section 106 receipts unapplied	(b) & (d)	(249,432)	85,586	(163,846)
Capital Grant Receipts in Advance	Not under UK GAAP	(b) & (d)	0	(6,942)	(6,942)
Long Term Liabilities	**No heading under UK GAAP**		**(446,010)**	**78,644**	**(367,366)**
Net Assets	**Total Assets Less Liabilities**		**1,485,005**	**(8,342)**	**1,476,663**

Effect of IFRS on the transition opening Balance Sheet as at 1 April 2009 (continued)

IFRS Terminology	Items under UK GAAP	Note	As at 1 April 2009 Under UK GAAP (SORP) £'000	Effect of Transition to IFRS £'000	Under IFRS (IFRS Code) £'000
Usable reserves	Funds, balances & reserves, usable capital receipts reserve and PFI prepayment reserve	(d)	(91,295)	(5,194)	(96,489)
Unusable Reserves	Revaluation reserve, capital adjustment account, available for sale financial instruments reserve, financial instruments adjustment account, collection fund adjustment account, major repairs reserve and pensions reserve	(a) (b) (d) & (e)	(1,393,710)	13,536	(1,380,174)
Total Reserves	**Total Net Worth**		**(1,485,005)**	**8,342**	**(1,476,663)**

Analysis of the Effect of Transition to IFRS on the Balance Sheet as at 1 April 2009

Balance Sheet	As at 1 April 2009					
IFRS Terminology	Non Current Assets Note a £'000	Leases & Lease Type Arrangements Note b £'000	Short Term Investments / Cash & Cash Equivalents Note c £'000	Grants Note d £'000	Employee Benefits Note e £'000	Effect of Transition to IFRS £'000
Property, Plant & Equipment	39,121	(1,439)	0	0	0	37,682
Investment Property	(121,213)	(14,740)	0	0	0	(135,953)
Assets Held for Sale	2,571	0	0	0	0	2,571
Long Term Debtors	0	6,061	0	0	0	6,061
Long Term Assets	**(79,521)**	**(10,118)**	**0**	**0**	**0**	**(89,639)**
Short Term Investments	0	0	(5,066)	0	0	(5,066)
Short Term Debtors	0	0	0	(830)	0	(830)
Cash and Cash Equivalents	0	0	5,066	0	0	5,066
Assets held for sale	374	0	0	0	0	374
Current Assets	**374**	**0**	**0**	**(830)**	**0**	**(456)**
Short Term Creditors	0	0	0	7,280	0	7,280
Provisions	0	0	0	0	(4,171)	(4,171)
Current Liabilities	**0**	**0**	**0**	**7,280**	**(4,171)**	**3,109**
Other Long Term Liabilities	0	217	0	85,369	0	85,586
Capital Grant Receipts in Advance	0	0	0	(6,942)	0	(6,942)
Long Term Liabilities	**0**	**217**	**0**	**78,427**	**0**	**78,644**
Net Assets	**(79,147)**	**(9,901)**	**0**	**84,877**	**(4,171)**	**(8,342)**
Usable reserves	0	0	0	(5,194)	0	(5,194)
Unusable Reserves	79,147	9,901	0	(79,683)	4,171	13,536
Total Reserves	**79,147**	**9,901**	**0**	**(84,877)**	**4,171**	**8,342**

Analysis of the Effect of Transition to IFRS on the Balance Sheet as at 31 March 2010

Balance Sheet	As at 31 March 2010					
	Non Current Assets	Leases & Lease Type Arrangements	Short Term Investments / Cash & Cash Equivalents	Grants	Employee Benefits	Effect of Transition to IFRS
	Note a	Note b	Note c	Note d	Note e	
IFRS Terminology	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	(24,692)	(1,055)	0	0	0	(25,747)
Investment Property	7,095	(203)	0	0	0	6,892
Assets Held for Sale	9,127	0	0	0	0	9,127
Long Term Debtors	0	(14)	0	0	0	(14)
Long Term Assets	**(8,470)**	**(1,272)**	**0**	**0**	**0**	**(9,742)**
Short Term Investments	0	0	(11,249)	0	0	(11,249)
Short Term Debtors	0	0	0	(1,208)	0	(1,208)
Cash and Cash Equivalents	0	0	11,249	0	0	11,249
Assets Held for Sale	1,802	0	0	0	0	1,802
Current Assets	**1,802**	**0**	**0**	**(1,208)**	**0**	**594**
Short Term Creditors	0	0	0	3,891	0	3,891
Provisions	0	0	0	0	(609)	(609)
Current Liabilities	**0**	**0**	**0**	**3,891**	**(609)**	**3,282**
Other Long Term Liabilities	0	(10)	0	21,819	0	21,809
Capital Grant Receipts in Advance	0	0	0	(2,928)	0	(2,928)
Long Term Liabilities	**0**	**(10)**	**0**	**18,891**	**0**	**18,881**
Net Assets	**(6,668)**	**(1,282)**	**0**	**21,574**	**(609)**	**13,015**
Usable reserves	0	0	0	1,823	0	1,823
Unusable Reserves	6,668	1,282	0	(23,397)	609	(14,838)
Total Reserves	**6,668**	**1,282**	**0**	**(21,574)**	**609**	**(13,015)**

Effect of IFRS on the Balance Sheet as at 31 March 2010

IFRS Terminology	Items under UK GAAP	Note	As at 31 March 2010 Under UK GAAP (SORP) £'000	Effect of Transition to IFRS £'000	Under IFRS (IFRS Code) £'000
Property, Plant & Equipment	Operational assets plus non operational assets excluding investment properties	(a) & (b)	1,864,903	11,935	1,876,838
Investment Property	Investment properties	(a) & (b)	179,134	(129,061)	50,073
Intangible Assets	Intangible assets		3,438	0	3,438
Assets Held for Sale	Not under UK GAAP	(a)	0	11,698	11,698
Long Term Debtors	long term debtors	(b)	13,294	6,047	19,341
Long Term Assets	**Long Term Assets**		**2,060,769**	**(99,381)**	**1,961,388**
Short Term Investments	Short term investments	(c)	43,022	(16,315)	26,707
Inventories	Stocks and work in progress		954	0	954
Short Term Debtors	Debtors	(d)	51,055	(2,038)	49,017
Cash and Cash Equivalents	Cash in hand and at bank	(c)	0	16,315	16,315
Assets Held for Sale	Not under UK GAAP	(a)	0	2,176	2,176
Current Assets	**Current Assets**		**95,031**	**138**	**95,169**
Bank Overdraft	Bank overdraft		(2,739)	0	(2,739)
Short Term Borrowing	Short term borrowing		(43,713)	0	(43,713)
Short Term Creditors	Creditors	(d)	(69,354)	11,171	(58,183)
Provisions	Not under UK GAAP	(e)	0	(4,780)	(4,780)
Current Liabilities	**Current Liabilities**		**(115,806)**	**6,391**	**(109,415)**
Provisions	Provisions		(1,798)	0	(1,798)
Long Term Borrowing	Long term borrowing		(161,643)	0	(161,643)
Other Long Term Liabilities	Deferred credits, deferred liability, pension liability, government grants deferred, government grants unapplied and section 106 receipts unapplied	(b) & (d)	(478,207)	107,395	(370,812)
Capital Grant Receipts in Advance	Not under UK GAAP	(b) & (d)	0	(9,870)	(9,870)
Long Term Liabilities	**No heading under UK GAAP**		**(641,648)**	**97,525**	**(544,123)**
Net Assets	**Total Assets Less Liabilities**		**1,398,346**	**4,673**	**1,403,019**
Usable reserves	Funds, balances & reserves, usable capital receipts reserve and PFI prepayment reserve	(d)	(83,332)	(3,371)	(86,703)
Unusable Reserves	Revaluation reserve, capital adjustment account, available for sale financial instruments reserve, financial instruments adjustment account, collection fund adjustment account, major repairs reserve and pensions reserve	(a) (b) (d) & (e)	(1,315,014)	(1,302)	(1,316,316)
Total Reserves	**Total Net Worth**		**(1,398,346)**	**(4,673)**	**(1,403,019)**

Please note the adjustments on the Balance Sheet as at 31 March 2010 include both the in year 2009/10 IFRS adjustments and the cumulative effect of the opening balance sheet adjustments.

Effect of IFRS on the Comprehensive Income and Expenditure Statement for the year ended 31 March 2010

IFRS Terminology	Items under UK GAAP	Note	Year ended 31 March 2010 Under UK GAAP (SORP) £'000	Effect of Transition to IFRS £'000	Under IFRS (IFRS Code) £'000
Central services to the public	As IFRS terminology (part of the Income and Expenditure Account)	(a) (b) (d) & (e)	2,316	5,121	7,437
Cultural, environmental, regulatory and planning services			67,463	2,233	69,696
Children's and education services			70,596	6,809	77,405
Highways and transport services			14,508	589	15,097
Housing services - Housing Revenue Account (HRA)			(92,488)	45	(92,443)
Other housing services			7,897	9,184	17,081
Adult social care			81,923	957	82,880
Corporate and democratic core			6,363	0	6,363
Non distributed costs			549	698	1,247
Cost of Services	**Net Cost of Services**		**159,127**	**25,636**	**184,763**
Other Operating Expenditure	Gain / loss on disposal of fixed assets, precepts and levies, and contribution of housing capital receipts to government pool (part of the Income and Expenditure Account)		213	0	213
Financing and Investment Income and Expenditure	Interest payable and similar charges, interest and investment income, pension interest cost and expected return on pension assets (part of the Income and Expenditure Account)	(a) & (b)	20,285	(6,390)	13,895
Taxation and Non-Specific Grant Income	Demand on the Collection Fund, general government grants, and distribution from NNDR pool (part of the Income and Expenditure Account)	(d)	(237,578)	(35,161)	(272,739)
Surplus or Deficit on Provision of Services			**(57,953)**	**(15,915)**	**(73,868)**
Surplus or deficit on revaluation of fixed assets	As IFRS terminology (formed part of the Statement of Total Recognised Gains and Losses)	(a) & (b)	(56,553)	2,890	(53,663)
Surplus or deficit on revaluation of available for sale financial assets			67	0	67
Actuarial gains / losses on pension assets / liabilities			201,098	0	201,098
Other Comprehensive Income & Expenditure			0	10	10
Other Comprehensive Income and Expenditure			**144,612**	**2,900**	**147,512**
Total Comprehensive Income and Expenditure			**86,659**	**(13,015)**	**73,644**

Analysis of the Effect of Transition to IFRS on the Comprehensive Income and Expenditure Statement as at 31 March 2010

Comprehensive Income and Expenditure	Year ended 31 March 2010				
	Non Current Assets	Leases & Lease Type Arrangements	Grants	Employee Benefits	Effect of Transition to IFRS
IFRS Terminology	Note a £'000	Note b £'000	Note d £'000	Note e £'000	£'000
Central services to the public	2,610	290	192	(68)	3,024
Cultural, environmental, regulatory and planning services	687	188	1,439	(81)	2,233
Children's and education services	4,894	(16)	1,053	878	6,809
Highways and transport services	0	(63)	663	(11)	589
Housing services - Housing Revenue Account (HRA)	55	(26)	35	(19)	45
Other housing services	0	0	9,210	(26)	9,184
Adult social care	4	22	995	(64)	957
Non distributed costs	698	0	0	0	698
Cost of Services	**8,948**	**395**	**13,587**	**609**	**23,539**
Financing and Investment Income and Expenditure	(3,847)	(446)	0	0	(4,293)
Taxation and Non-Specific Grant Income	0	0	(35,161)	0	(35,161)
Surplus or Deficit on Provision of Services	**5,101**	**(51)**	**(21,574)**	**609**	**(15,915)**
Surplus or deficit on revaluation of fixed assets	1,568	1,322	0	0	2,890
Deferred credits *	0	10	0	0	10
Other Comprehensive Income and Expenditure	**1,568**	**1,332**	**0**	**0**	**2,900**
Total Comprehensive Income and Expenditure	**6,669**	**1,281**	**(21,574)**	**609**	**(13,015)**

* this relates to deferred credits being included on the total reserves side of the Balance Sheet in 2010/11, where as they were previously included on the net assets side of the Balance Sheet.

Effect of IFRS on the Cash Flow Statement for the year ended 31 March 2010

Cash flow investments of cash surpluses lent to cover cash shortages with maturities of no longer than three months were reclassified from short term investments to cash and cash equivalents. This change impacted on the Cash Flow Statement for the year ended 31 March 2010 by increasing cash and cash equivalents by £16.315m (£13.916m as at 1 April 2009).

Notes to the effect of transition to IFRS on the Comprehensive Income and Expenditure Statement and the Balance Sheet

(a) Non current assets

The authority has a range of non current assets held on its Balance Sheet which were previously under UK GAAP categorised as operational assets and non operational assets. The transition to IFRS has led to a number of reclassifications of individual assets.

There is now a much tighter definition of what constitutes an investment property and this has led to a number of assets being reclassified from investment property to property, plant and equipment. IFRS also introduces a new category of asset "Assets Held for Sale" which can be classed as either a current asset or long term asset depending on when sale transactions are likely to be completed. These changes impacted on the authority's transition Balance Sheet (i.e. as at 1 April 2009) and comparative figures for 2009/10 by decreasing investment property by £121.213m, increasing property, plant and equipment by £114.012m and including £2.571m as a long term asset held for sale and £0.374m as a current asset held for sale. These changes had a further impact on the comparative figures for 2009/10 by increasing investment property by

£7.095m, decreasing property, plant and equipment by £23.886m, increasing long terms assets held for sale by £9.127m and current assets held for sale by £1.802m.

As part of the transition to IFRS, the authority also removed its voluntary aided schools from its Balance Sheet although playing fields owned by the authority has remained. This change impacted on the authority's transition Balance Sheet (i.e. as at 1 April 2009) and comparative figures for 2009/10 by decreasing property, plant and equipment by £74.891m. This change had a further impact on the comparative figures for 2009/10 by decreasing property, plant and equipment by £0.806m.

Although no formal revaluations took place in respect of these changes, there was an impact on the revaluation reserve. With the recategorisation of assets, there was also an impact on the level of charge made in respect of assets to the Comprehensive Income and Expenditure Statement (e.g. depreciation, impairment and revenue expenditure funded from capital) and the Capital Adjustment Account. In the transition Balance Sheet (i.e. as at 1 April 2009) and comparative figures for 2009/10 the balances on the Revaluation Reserve and Capital Adjustment Account were increased by £15.931m and £63.216m respectively. In respect of the 2009/10 comparative figures, the balances on the Revaluation Reserve and Capital Adjustment Account were further increased by £2.236m and £4.432m respectively. In respect of these changes, the comparative Cost of Services in the Comprehensive Income and Expenditure Statement was increased by £8.948m and the surplus on the revaluation of non current assets amount included in the Comprehensive Income and Expenditure Statement reduced by £1.568m. The increase in the Cost of Services also includes an adjustment of £3.847m in respect of presenting the valuation adjustments for Investment Property below Cost of Services in the Comprehensive Income and Expenditure Statement.

(b) Leases and Lease Type Arrangements

The authority leases out a number of its properties. The transition to IFRS has led to a number of these leases being reclassified from operating leases to finance leases. This change impacted on the transition opening Balance Sheet as at 1 April 2009 and the 31 March 2010 by:

- decreasing property, plant and equipment by £2.833m, decreasing investment property by £18.730m and decreasing unusable reserves by £21.563m to de-recognise the assets from the authority's Balance Sheet
- increasing long term debtors and unusable reserves by £6.016m to recognise a long term debtor.

Further adjustments were made in 2009/10 in respect of this change:

- decreasing property, plant and equipment by £0.904m, decreasing investment property by £0.271m and decreasing unusable reserves by £1.175m to de-recognise movements on the assets in 2009/10 in respect of these assets removed from the authority's Balance Sheet; this change also impacted on the Comprehensive Income and Expenditure Statement as follows:
    - an adjustment of £0.127m to the cost of services to remove the charges for depreciation, impairment and capital expenditure in respect of these assets.
    - an adjustment of £1.302m to de-recognise the revaluation in 2009/10 in respect of these assets
- a charge of £0.014m to the Comprehensive Income and Expenditure Statement for the repayment of the principal element of the liability; this charge also affected the Balance Sheet by decreasing the long term debtor and decreasing unusable reserves

During the work to restate the financial statements on an IFRS basis, there were also a number of leased out properties which remained as being leased out as operating leases however the authority did not account for these assets on their Balance Sheet. This change impacted on the transition opening Balance Sheet as at 1 April 2009 and the 31 March 2010 by increasing property, plant and equipment and increasing unusable reserves by £6.261m to recognise the assets on the authority's Balance Sheet. A further adjustment of £0.032m was made in 2009/10 in respect of this change to make a charge for depreciation in respect of these assets.

The authority also leases in some properties. During the work to restate the financial statements on an IFRS basis, there were some leased in properties which remained as being leased in under an operating lease however the authority included these assets on their Balance Sheet. This change impacted on the transition opening Balance Sheet as at 1 April 2009 and the 31 March 2010 by decreasing property, plant and equipment and decreasing unusable reserves by £0.807m to de-recognise the assets on the authority's Balance Sheet. A further adjustment of £0.016m was made in 2009/10 in respect of this change to remove the charge for depreciation in respect of these assets.

(c) Short Term Investments and Cash and Cash Equivalents

Cash surpluses lent to cover cash shortages with maturities of no longer than three months were reclassified from short term investments to cash and cash equivalents. This change impacted on the transition opening Balance Sheet as at 1 April 2009 and the 31 March 2010 by increasing cash and cash equivalents by £5.066m and decreasing short term investments by the same amount. A further £11.249m adjustment was made in 2009/10 in respect of this change.

(d) Grants and Contributions including Section 106 contributions

The authority receives a number of capital and revenue grants and contributions. The transition to IFRS required the authority to implement revised accounting treatment for grants and contributions dependent upon whether there is a condition(s) (as opposed to restrictions) attached to the grant or contribution (the condition being that grant or contribution is returned to the transferor if a specified future event does or does not occur). The authority is required to maintain an account for unapplied grants and assess, at the end of the financial year, whether a condition is outstanding in considering whether the grant or contribution should be recognised as income in the Comprehensive Income and Expenditure Statement.

This change impacted on the transition opening Balance Sheet as at 1 April 2009 and the 31 March 2010 and the Comprehensive Income and Expenditure Statement for 2009/10.

Capital Grants and Contributions:

Under SORP, grants and contributions for capital schemes were held in a government grants deferred account and recognised as income over the life of the assets they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance of the Government Grants Deferred Account has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet;
- Portions of government grants deferred were previously recognised as income in 2009/10, these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures;
- Grants received but not used were either held as creditors or in a government grants unapplied account within the liabilities section of the Balance Sheet, no income was recognised in respect of these grants. Following the change in accounting policy these grants have been recognised depending on whether a condition exists:
    - Capital grants (with a condition) received but not applied have been transferred to Capital Grants Receipts in Advance (long term creditor);
    - Capital grants (without a condition) received but not applied have been recognised in the Comprehensive Income and Expenditure Statement and transferred to the Capital Grants Unapplied Account within usable reserves in the Balance Sheet.

There is no change to the General Fund balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

Revenue Grants and Contributions

Under SORP, revenue grants and contributions received but not used were held on the balance sheet as short term creditors until utilised, no income was recognised in respect of these grants. Following the change in accounting policy, grants received with no condition, have been recognised in the cost of services within the Comprehensive Income and Expenditure Statement and transferred to a revenue grants carry forward earmarked reserve within usable reserves in the Balance Sheet.

(e) Employee Benefits - Short term Accumulated Absences

The authority has made provision for short term accumulated absences (e.g. annual leave and flexi time). This change has impacted on the transition opening Balance Sheet as at 1 April 2009 and the 31 March 2010 by increasing short term provisions by £4.171m and creating a new Short Term Accumulated Absences reserve under unusable reserves. A further £0.609m adjustment was made in 2009/10 in respect of this change which impacted on the cost of services within the Comprehensive Income and Expenditure Statement and the unusable reserves in the Balance Sheet.

3 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code has introduced a change in accounting policy in relation to the treatment of heritage assets held by the authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the authority, in this case, heritage assets.

The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. Properties held by the authority which will be reclassified as heritage assets in 2011/12 are:

- The Royal Pavilion;
- The Volks Railway;
- Rottingdean Windmill;
- West Blatchington Windmill; and
- Bandstand (upper section).

The authority holds a range of non property assets which will also be reclassified as heritage assets; these include military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.

The approaches used to determine the value of these assets are as per the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). For example; depreciated replacement cost, historic cost and open market value. The majority of these assets are currently classified as community assets in the authority's Balance Sheet, with the exception of the Volks Railway which is classified as other land and buildings and vehicles, furniture, plant and equipment.

The carrying value of heritage assets held in the Balance Sheet as at 31 March 2011 is £3.676m of which £3.342m is categorised as community assets and £0.334m categorised as other land and buildings. Both of these categories are included within property, plant and equipment.

It is estimated therefore that the total value of heritage assets to be recognised in the Balance Sheet at 1 April 2011 (under the requirements of the 2011/12 Code) will be £200.780m; this estimated value is based on insurance valuations. This will result in a total revaluation gain recognised in the Revaluation Reserve of £197.104m.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The authority considers that the heritage assets held by the authority will have indeterminate lives and a high residual value; hence the authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

4 CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE

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

The authority includes accounting estimates within the accounts; the significant accounting estimates relate to non current assets, impairment of financial assets. The authority's accounting policies include details on the calculation of these accounting estimates.

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

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

- Retirement Benefit Obligations – The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority's retirement benefit obligation. The key assumptions made are set out in note 34.

- Provisions – The authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the authority also exercises judgement; they are measured at the authority's best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the authority's provisions and details of its contingent liabilities are set out in notes 24 and 27 respectively.

- Impairment of Financial Assets – The authority provides for the impairment of its receivables based on the age and type of each debt. The percentages applied reflect an assessment of the recoverability of each debt. The level of impairment of financial assets included in the financial statements is £24.354m.

- 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 type of asset, the expected length of service potential of the asset and the likelihood of the authority's usage of the asset. The authority carries out an annual impairment review of its asset base which takes in to account such factors as the current economic climate. The level of depreciation charged in 2010/11 is £39.268m.

- Future Levels of Government Funding and Levels of Reserves – the future levels of funding for local authorities has a high degree of uncertainty. The authority has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the authority's track record in financial management. The authority's budget strategy for 2011/12 was approved in March 2011.

- Classification of Leases – The authority has entered into a number of lease arrangements in respect of property and other assets. The authority has exercised judgement in the classification of leases (i.e. operating or finance lease) using such factors as the length of the lease and rent levels and in reviewing contractual arrangements having the substance of a lease (e.g. contract values and length of contract). Details of the authority's leases and lease type arrangements are set out in note 22.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

There is a material item of £222.077m in respect of the downward revaluation of the authority's housing stock which is due to a decrease in the social housing adjustment factor from 45% to 32%. This material item is included in the "Housing Services – Housing Revenue Account (HRA)" cost of service in the Comprehensive Income and Expenditure Statement. The 2009/10 comparative figures include a material item of (£90.359m) which relates to the upward revaluation of the authority's housing stock which had a part reversing effect of the revaluation loss which was incurred in 2008/09.

There is also a material item of (£82,383m) in respect of the increase in the past service cost in respect of defined benefit pension schemes which is due to this cost now being based on the Consumer Prices Index (CPI) instead of the Retail Prices Index (RPI). Note 34 includes more detail on the authority's defined benefit pension schemes. This material item is included in the "Non Distributed Costs" cost of service in the Comprehensive Income and Expenditure Statement.

6 EVENTS AFTER THE BALANCE SHEET DATE

These accounts were authorised for issue by the Director of Finance on 22 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Work was undertaken by both the authority's and East Sussex County Council's officers in liaison with the pension actuary after the end of the 2010/11 financial year to identify exactly how the responsibility for historic unfunded pension benefits are split between East Sussex County Council and the authority. The result of this work is that the authority's responsibility for unfunded pensions has increased from £1.9m per annum to £2.4m per annum. The impact of this on the 2010/11 IAS19 disclosures is:

- The net pension liability at 31 March 2011 has increased by £7.2m from £97.5m to £104.7m;
- The charge to the Comprehensive Income and Expenditure Statements for 2010/11 has increased by £0.4m from £51.3m to £51.7m; and
- The actuarial gain over 2010/11 has reduced by £8.1m from £172.7m to £164.6m.

This event has been treated as a non adjusting event, the comparative figures in the authority's 2011/12 accounts will be restated to reflect this change. Further details of the IAS19 disclosure can be found in note 34.

7 TRADING OPERATIONS

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

8 AGENCY SERVICES

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

Council Tax

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

National Non Domestic Rates (NNDR)

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

The Collection Fund Statement and notes provide more detail in respect of income and expenditure in relation to these agency services. This statement can be found on pages 144 to 145.

9 SECTION 75 ARRANGEMENTS

Under Section 75 of the National Health Service Act 2006, National Health Service (NHS) bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services and pooled budgets.

Children & Young People's Trust (CYPT)

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

The authority made a contribution of £56.564m (£90.872m 2009/10) to the pooled arrangement in 2010/11. This contribution is included in the Children's and Education cost of services within the Comprehensive Income and Expenditure Statement. Most devolved, school-related expenditure funded from the Dedicated Schools Grant (DSG) remains outside of the S75 arrangement at present but can potentially be included in future, subject to the agreement of the partners and the authority's Schools Forum.

The table, which follows, provides details of the joint income and expenditure in respect of the pooled arrangement:

Commissioner Agreement	2009/10 £'000	2010/11 £'000
Funding provided to the Pooled Arrangement:		
Brighton & Hove City Council	(90,872)	(56,564)
Brighton & Hove City Teaching Primary Care Trust	(8,766)	(11,555)
	(99,638)	**(68,118)**
Net Expenditure met from the Pooled Arrangement:		
Brighton & Hove City Council	90,872	56,564
Brighton & Hove City Teaching Primary Care Trust	8,766	11,555
	99,638	**68,118**
Net (Surplus)/Deficit arising on the Pooled Arrangement during the year	**0**	**0**

Provider Agreement	2009/10 £'000	20010/11 £'000
Funding provided to the Pooled Arrangement:		
Brighton & Hove City Council	(90,872)	(53,636)
South Downs NHS Trust	(7,489)	(7,468)
Brighton & Hove City Teaching Primary Care Trust	(1,277)	(1,707)
	(99,638)	**(62,811)**
Net Expenditure met from the Pooled Arrangement:		
Brighton & Hove City Council	90,872	53,636
South Downs NHS Trust	7,489	7,468
Brighton & Hove City Teaching Primary Care Trust	1,277	1,707
	99,638	**62,811**
Net (Surplus)/Deficit arising on the Pooled Arrangement during the year	**0**	**0**

Adult Social Care

With effect from 1 April 2002, some adult social services have been provided within the geographical area covered by Brighton & Hove City Council under a partnership arrangement between the authority, Brighton & Hove City Primary Care Trust (PCT), the South Downs Health Trust (SDHT) and the Sussex Partnership Foundation Trust. The PCT act as lead commissioner for intermediate care, mental health, substance misuse and AIDS/HIV services whilst the authority is the lead for learning disability services for which it is also the lead provider. SDHT are the lead provider for intermediate care, AIDS/HIV and the community equipment store whilst the Sussex Partnership Foundation Trust is the lead provider for mental health and substance misuse services.

The authority made a commissioning contribution of £37.734m (£37.241m 2009/10) to the various pooled arrangements in 2010/11. This contribution is reflected in the Adult Social Care cost of services within the Comprehensive Income and Expenditure Statement.

The gross income to the partnerships is £80.510m (£80.134m 2009/10) including PCT commissioning contributions. This has been expended by lead providers as follows:

	2009/10 £'000	2010/11 £'000
Sussex Community Trust	4,813	4,768
Sussex Partnership Foundation Trust	45,395	44,631
Brighton & Hove City Council	29,926	31,111
Total	**80,134**	**80,510**

Please note the contribution of £37.734m reflects the gross funding provided by the authority to the pooled budget whereas the expenditure figures included in the above table reflect the expenditure for the service areas provided by each party. The expenditure for the authority, disclosed in the above table, relates to learning disability services, for which the authority is the lead commissioner.

Learning Disability Services

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

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

	2009/10 £'000	2010/11 £'000
Funding provided to the Pooled Arrangement:		
Brighton & Hove City Primary Care Trust	(6,881)	(6,858)
Brighton & Hove City Council	(23,753)	(24,251)
	(30,634)	**(31,109)**
Net Expenditure met from the Pooled Arrangement:		
Sussex Partnership Trust	708	685
Social Care (Brighton & Hove City Council)	29,926	30,424
	30,634	**31,109**
Net (Surplus)/Deficit arising on the Pooled Arrangement during the year	**0**	**0**

10 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The following table shows an analysis of the amounts included in Adjustment between Accounting Basis and Funding Basis under Regulations within the Movement in Reserves Statement. It sets out the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure:

2010/11	Movement in Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT						
Charges for depreciation and impairment of non current assets	(46,895)	(209,042)	0	(8,464)	0	264,401
Revaluation losses on Property, Plant and Equipment	0	0	0	0	0	0
Movements in the market value of Investment Properties	(5,470)	0	0	0	0	5,470
Amortisation of intangible assets	(1,217)	0	0	(32)	0	1,249
Revenue expenditure funded from capital under statute	(10,679)	(1,644)	0	0	0	12,323
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(2,112)	(948)	0	0	0	3,060
Statutory provision for the financing of capital investment	6,708	0	0	0	0	(6,708)
Voluntary provision for the financing of capital investment	3,071	0	0	0	0	(3,071)
Capital expenditure charged against the General Fund and HRA balances	524	3,426	0	0	0	(3,950)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	682	0	0	0	(682)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	53,602	0	0	0	911	(54,513)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE						
Transfer of cash sale proceeds credited as part of the gain /loss on disposal to the Comprehensive Income and Expenditure Statement	898	1,635	(2,549)	0	0	16
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	(13)	13	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(1,207)	0	1,207	0	0	0
Transfer of improvement grant repayments to Capital Receipts Reserve	154	0	(154)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(140)	0	0	140

Please note the above table continues on the next page.

2010/11	Movement in Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	6	0	0	0	0	(6)
ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE						
Reversal of Major Repairs Allowance credited to the HRA	0	9,506	0	0	0	(9,506)
Use of the Major Repairs Reserve to finance new capital expenditure	0	(8,496)	0	8,496	0	0
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	45	336	0	0	0	(381)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	52,595	(1,303)	0	0	0	(51,292)
Employer's pension contributions and direct payments to pensioners payable in the year	20,977	809	0	0	0	(21,786)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,785)	0	0	0	0	2,785
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(192)	(48)	0	0	0	240
Total Adjustments between accounting basis and funding basis under regulations	**68,705**	**(205,782)**	**(1,623)**	**0**	**229**	**138,471**

2009/10 Comparative Figures	Movement in Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT						
Charges for depreciation and impairment of non current assets	(51,807)	(926)	0	(13,021)	0	65,754
Upward revaluation reversing a previous revaluation loss on housing stock	0	90,359	0	0	0	(90,359)
Revaluation losses on Property, Plant and Equipment	0	0	0	0	0	0
Movements in the market value of Investment Properties	2,315	17	0	0	0	(2,332)
Amortisation of intangible assets	(808)	0	0	(17)	0	825
Revenue expenditure funded from capital under statute	(11,680)	0	0	0	0	11,680
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(502)	(538)	0	0	0	1,040
Statutory provision for the financing of capital investment	6,583	0	0	0	0	(6,583)
Voluntary provision for the financing of capital investment	4,274	0	0	0	0	(4,274)
Capital expenditure charged against the General Fund and HRA balances	1,089	3,390	0	0	0	(4,479)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,835)	0	0	0	1,835	0
Application of grants to capital financing transferred to the Capital Adjustment Account	36,995	0	0	0	0	(36,995)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE						
Transfer of cash sale proceeds credited as part of the gain /loss on disposal to the Comprehensive Income and Expenditure Statement	911	986	(1,897)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,330	0	0	(1,330)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	(8)	8	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(719)	0	719	0	0	0
Transfer of improvement grant repayments to Capital Receipts Reserve	42	0	(42)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0

Please note the above table continues on the next page.

2009/10 Comparative Figures	Movement in Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(14)	0	0	0	0	14
ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE						
Reversal of Major Repairs Allowance credited to the HRA	0	9,352	0	0	0	(9,352)
Use of the Major Repairs Reserve to finance new capital expenditure	0	(13,038)	0	13,038	0	0
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	36	273	0	0	0	(309)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(22,518)	(1,034)	0	0	0	23,552
Employer's pension contributions and direct payments to pensioners payable in the year	21,352	832	0	0	0	(22,184)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	4,109	0	0	0	0	(4,109)
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(628)	19	0	0	0	609
Total Adjustments between accounting basis and funding basis under regulations	**(12,805)**	**89,684**	**118**	**0**	**1,835**	**(78,832)**

11 TRANSFERS TO / FROM EARMARKED RESERVES

The following table shows an analysis of the amounts included in transfers to or from earmarked reserves within the Movement in Reserves Statement. It sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11:

	Balance at 1 April 2009 £'000	Transfers From 2009/10 £'000	Transfers To 2009/10 £'000	Balance at 31 March 2010 £'000	Transfers From 2010/11 £'000	Transfers To 2010/11 £'000	Balance at 31 March 2011 £'000
EARMARKED GENERAL FUND RESERVES							
Local Management of Schools (LMS) Reserve	(2,662)	460	(365)	(2,567)	0	(1,312)	(3,879)
Capital Reserves	(5,820)	3,031	0	(2,789)	2,556	(2,444)	(2,677)
Departmental Carry Forwards	(448)	448	(228)	(228)	228	(1,588)	(1,588)
Insurance Reserves	(6,925)	0	(161)	(7,086)	990	(30)	(6,126)
LPSA Reserve	(1,457)	1,619	(661)	(499)	540	(557)	(516)
LABGI Reserve	(1,044)	1,021	(560)	(583)	583	(13)	(13)
Restructure Redundancy Reserve	(2,348)	1,773	(1,049)	(1,624)	4,105	(6,085)	(3,604)
PFI Reserves	(19,672)	955	(4,523)	(23,240)	3,649	(3,621)	(23,212)
Brighton Centre Redevelopment Reserve	(3,132)	0	(514)	(3,646)	457	(763)	(3,952)
Single Status Reserve	(14,097)	1,065	(264)	(13,296)	7,672	(124)	(5,748)
Financing Costs Reserve	(2,881)	909	(113)	(2,085)	1,008	0	(1,077)
Building Schools for the Future (BSF) Reserve	(1,500)	500	(1,039)	(2,039)	306	(513)	(2,246)
Revenue Grants Carry Forward	(1,431)	775	(802)	(1,458)	1,175	(2,881)	(3,164)
S106 Contributions Carry Forward	(561)	203	(188)	(546)	575	(556)	(527)
Other Earmarked Reserves	(7,457)	987	(830)	(7,300)	5,099	(7,388)	(9,589)
Total	**(71,435)**	**13,746**	**(11,297)**	**(68,986)**	**28,943**	**(27,875)**	**(67,918)**
EARMARKED HRA RESERVES							
Capital Reserves	(6,161)	2,801	0	(3,360)	1,922	(63)	(1,501)
HRA Auto Meter Readers Reserve	0	0	0	0	0	(348)	(348)
Estates Development Budget Reserve	0	0	0	0	0	(234)	(234)
Revenue Grant Carry Forwards	0	0	0	0	0	(27)	(27)
Restructure Redundancy Reserve	(388)	304	(76)	(160)	0	(228)	(388)
Total	**(6,549)**	**3,105**	**(76)**	**(3,520)**	**1,922**	**(900)**	**(2,498)**
Total Earmarked Reserves	**(77,984)**	**16,851**	**(11,373)**	**(72,506)**	**30,865**	**(28,775)**	**(70,416)**

Local Management of Schools (LMS) Reserve

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

The following table shows the level of reserves held by the authority's schools:

	2009/10 Balance £'000	2010/11 Unspent Balance £'000	2010/11 Overspent Balance £'000	2010/11 Balance £'000
Nursery Schools	(34)	(68)	0	(68)
Primary Schools	(1,873)	(2,792)	148	(2,644)
Secondary Schools	(773)	(1,556)	468	(1,088)
Special Schools	113	(115)	36	(79)
Total	**(2,567)**	**(4,531)**	**652**	**(3,879)**

Other Usable Reserves

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

The Departmental Carry Forwards reserve holds approved carry forwards of budget to meet future specific costs.

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

The Local Public Service Agreement (LPSA) reserve holds the carry forward of the performance reward grant in relation to LPSA 2 which is carried forward to 2011/12 to spend on specific expenditure areas.

The Local Authority Business Growth Incentive (LABGI) reserve holds the amount in relation to the authority's LABGI allocation to be carried forward into 2011/12. Generally business rates revenues received by a local authority are paid to central government, and then redistributed to local authorities by formula. LABGI provides an incentive for local authorities to promote economic growth by allowing them to be rewarded for an increase in non-domestic rateable value above a certain level.

The Restructure Redundancy reserve funds approved redundancy payments and added years lump sum pension payments, which departments then repay to the reserve over five years. The reserve also receives contributions from departments for the actuarial costs of early retirements and is also available to fund the increase in the authority's superannuation contributions to the pension fund.

The Private Finance Initiative (PFI) reserve relates to the schools, waste and library PFI schemes. PFI contract payments increase gradually over the contract period. This reserve is used to offset the higher annual net costs during the later years of the contracts. The authority also holds a Waste PFI Prepayment Reserve which represents a notional amount included in the unitary charge that the authority has modelled as contributing towards the development of the Energy Recovery facility, the construction of which is nearing completion. The facility is expected to be operational later in 2011. This reserve will be used to reduce the authority's liability for the facility once it is operational.

The Financing Costs reserve is used to meet future projected investment income losses.

The Building Schools for the Future (BSF) reserve holds set aside resources which will be used to contribute towards the costs of modernising schools and / or meeting projected demand for pupil places.

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

The Brighton Centre Redevelopment reserve holds set aside resources which will be used to contribute towards the redevelopment of the Brighton Centre.

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

The Section 106 (S106) Contributions Carry Forward reserve holds unspent developer contributions received by the authority that have no condition attached.

12 OTHER OPERATING EXPENDITURE

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

	2009/10 £'000	2010/11 £'000
(Gains) / losses on the disposal of non current assets	(721)	594
Precepts and Levies	215	234
Payments to the Government Housing Capital Receipts Pool	719	1,207
Total Other Operating Expenditure	**213**	**2,035**

13 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

	2009/10 £'000	2010/11 £'000
Interest payable and similar charges	10,951	13,826
Pensions interest cost and expected return on pensions assets	10,972	7,061
Interest receivable and similar income	(2,084)	(4,527)
Income and expenditure in relation to investment properties	(3,612)	(3,627)
Changes in the fair value of investment properties	(2,332)	5,470
Total Financing and Investment Income and Expenditure	**13,895**	**18,203**

14 TAXATION AND NON SPECIFIC GRANT INCOME

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

	2009/10 £'000	2010/11 £'000
Council tax income	(115,569)	(118,847)
Non domestic rates	(87,416)	(95,340)
Non ring fenced government grants	(34,593)	(36,498)
Capital grants and contributions	(35,161)	(54,284)
Total Taxation and Non Specific Grant Income	**(272,739)**	**(304,969)**

15 GRANT INCOME AND CONTRIBUTIONS

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

Government Revenue Grants

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

Non ring fenced government grants are revenue grants distributed by central government that do not relate to the performance of a specific service. The authority is free to use all of its non ring fenced funding as it sees fit to support the delivery of local, regional and national priorities in the authority's area. Non ring fenced government grants are shown under taxation and non specific grant income within the Comprehensive Income and Expenditure Statement. Revenue Support Grant (RSG) can be used by the authority to finance revenue expenditure on any service. RSG is one element of the formula grant distributed amongst all local authorities according to relative need as determined by formulae; the other element being non domestic rates. Area Based Grant (ABG) is allocated directly to the authority according to specific policy criteria rather than general formulae. Local Public Service Agreement Grant (LPSA) is an agreement between central government and the authority. Under the agreement, the authority agrees to a number of targets. The authority sets out how it will improve local public services and in return the Government sets out how it will reward those improvements. The authority received Performance Reward Grant in relation to the agreed outcomes under LPSA 2.

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

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

	2009/10 £'000	2010/11 £'000
Non Ring Fenced Government Grants credited to Taxation and Non Specific Grant Income		
Revenue Support Grant (RSG)	(20,177)	(13,844)
Area Based Grant (ABG)	(13,954)	(22,654)
Local Public Service Agreement Grant (LPSA)	(462)	0
Total	**(34,593)**	**(36,498)**
Ring Fenced Government Grants credited to Cost of Services		
Department for Education	(160,974)	(180,825)
Communities and Local Government	(19,231)	(7,404)
Department for Work and Pensions	(178,092)	(185,762)
Department for Transport	(2,212)	(2,613)
Department of Health	(1,606)	(1,970)
Home Office	(1,476)	(942)
Department for Business, Innovation and Skills	(1,487)	(1,077)
Other Government Departments	(2,229)	(1,804)
Total	**(367,307)**	**(382,397)**
Total Government Revenue Grants	**(401,900)**	**(418,895)**

The significant ring fenced grants received by the authority from the Department for Education are Dedicated Schools Grant (£131.594m), Standards Fund Grant (£14.746m), Surestart Grants (£8.459m) and funding for sixth form (£15.178m). Note 16 provides further details on the Dedicated Schools Grant. The Standard Fund grant provides funding to support the authority's development and improvement agenda, including personalised learning. The Surestart grants provides early years funding to improve outcomes for children including the provision of children's centres, childcare and information services. Funding for sixth form provides funds for sixth form colleges; this was a temporary government funding arrangement for the period April to July 2010 following the ending of the Learning Skills Council, From August 2010, the government funded colleges direct.

The significant ring fenced grants received by the authority from the Department for Work and Pensions (DWP) are in respect of council tax and NNDR to reimburse for rent allowances, rent rebates and council tax benefit (£180.067m) and funding for Housing Benefit and Council Tax Benefit (HB/CTB) administration (£3.586m).

Non Government Revenue Grants and Contributions

The table below shows the non government grants and revenue contributions received by the authority and credited to the appropriate cost of service in the Comprehensive Income and Expenditure Statement:

	2009/10 £'000	2010/11 £'000
Non Government Grants and Revenue Contributions credited to Cost of Services		
Non Government Grants	(664)	(753)
Contributions from Health Authorities	(36,624)	(13,325)
Contributions from Other Agencies / External Bodies	(2,505)	(2,628)
Contributions from Other Local Authorities	(2,194)	(1,753)
Other Contributions, Donations and Sponsorship	(2,993)	(2,742)
Contributions from Stakeholders	(1,659)	(952)
Contributions from Developers	(188)	(174)
Total Non Government Revenue Grants and Contributions	**(46,827)**	**(22,327)**

Revenue Grants and Contributions with Conditions Attached

The authority has received a number of revenue grants and contributions with conditions attached. These are held within short term creditors on the Balance Sheet until the condition is met.

Capital Grants and Contributions

The authority receives a number of capital grants and external contributions which are used to fund capital expenditure. The table below shows capital grants and external contributions received by the authority and credited to the Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

	2009/10 £'000	2010/11 £'000
Capital Grants and Contributions credited to Taxation and Non Specific Grant Income		
Department for Education	(17,638)	(36,324)
Communities and Local Government	(9,836)	(9,489)
Department for Transport	(2,308)	(691)
Department of Health	(888)	(3,901)
Other Government Grants	(632)	(463)
South East England Development Agency	(2,849)	(3,334)
Contributions from Developers - S106	(312)	(82)
Other Contributions	(698)	0
Total Capital Grants and Contributions	**(35,161)**	**(54,284)**

Capital Grants and Contributions with Conditions Attached

The authority has received a number of capital grants and contributions that are yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at the 31 March are as follows:

	2009/10 £'000	2010/11 £'000
Grants and Contributions Held under Capital Grants Receipts in Advance		
Department for Education	(5,536)	(15,373)
Communities and Local Government	(3,041)	(4,362)
Contributions from Developers - S106	(1,940)	(2,247)
Other Government Grant	774	(144)
South East England Development Agency	(60)	829
Department for Transport	0	334
Department of Health	0	(373)
Other Contributions	(67)	0
Total Grants and Contributions with Conditions	**(9,870)**	**(21,336)**

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

16 DEDICATED SCHOOLS GRANT

The authority's expenditure on schools is funded primarily by grant monies provided by the Department for Education, in the form of the Dedicated Schools Grant (DSG). DSG is a ring fenced specific grant and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority wide basis and elements for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

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

	2009/10 Total £'000	2010/11 Central Expenditure £'000	2010/11 Individual Schools Budget (ISB) £'000	2010/11 Total £'000
Final DSG	(127,734)	(18,250)	(113,344)	(131,594)
Brought Forward	(1,468)	(2,142)	0	(2,142)
Agreed budgeted distribution	**(129,202)**	**(20,392)**	**(113,344)**	**(133,736)**
Budget adjustments (see note below)	0	16	(16)	0
Revised budget distribution	**(129,202)**	**(20,376)**	**(113,360)**	**(133,736)**
Actual central expenditure	17,792	20,355	0	20,355
Actual ISB deployed to schools	110,276	0	113,360	113,360
Local Authority Contribution	(1,008)	(1,628)	0	(1,628)
Underspend Carried Forward	**(2,142)**	**(1,649)**	**0**	**(1,649)**

Please note the budget adjustments mainly relate to transfers to schools from central contingency.

17 PROPERTY, PLANT AND EQUIPMENT

The authority categorises its property, plant and equipment into a number of sub categories, being council dwellings, other land and buildings, vehicles, plant and equipment, infrastructure assets, community assets, assets under construction and surplus assets. The following table shows the cost or valuation, accumulated depreciation and impairment and net book value at the beginning and end of the period for each sub category of property, plant and equipment:

2010/11	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Balance at 1 April 2010								
Gross carrying amount	797,419	992,762	31,546	138,748	10,850	892	23,604	**1,995,821**
Accumulated depreciation	(12,815)	(46,264)	(18,991)	(39,432)	0	0	(1,481)	**(118,983)**
Net Carrying Amount at 1 April 2010	**784,604**	**946,498**	**12,555**	**99,316**	**10,850**	**892**	**22,123**	**1,876,838**
Capital Additions								
Additions	17,170	26,874	3,840	8,044	205	15,018	8	**71,158**
Asset Disposals								
Derecognition - disposals	(948)	(1,889)	0	0	0	0	0	**(2,837)**
Derecognition - disposals (depreciation)	0	53	0	0	0	0	0	**53**
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement								
Revaluation increases	0	93,093	0	0	0	0	5,674	**98,767**
Revaluation re disposed assets	16	0	0	0	0	0	0	**16**
Depreciation written out	0	91	0	0	0	0	0	**91**
Impairment reversals	0	(1,236)	0	0	0	0	0	**(1,236)**
Depreciation and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement								
Revaluation increases	0	0	0	0	0	0	0	**0**
Depreciation charge	(8,174)	(20,619)	(3,122)	(6,825)	0	0	(527)	**(39,268)**
Reversal of previous year's depreciation	12,799	0	0	0	0	0	0	**12,799**
Impairment (losses) / reversals	(222,077)	(12,215)	(16)	(670)	0	(555)	0	**(235,532)**
Other Transactions								
Assets reclassified (to) / from assets held for sale	0	0	0	0	0	0	0	**0**
Other movements in gross carrying amount	(1,819)	164	11	158	171	1,653	0	**338**
Other movements in depreciation	0	265	3	0	0	0	0	**268**
Net Carrying Amount at 31 March 2011	**581,571**	**1,031,079**	**13,271**	**100,023**	**11,226**	**17,007**	**27,277**	**1,781,454**
Comprising								
Gross carrying amount	589,745	1,080,149	35,378	146,241	11,226	17,007	27,826	**1,907,573**
Accumulated depreciation	(8,174)	(49,072)	(22,107)	(46,217)	0	0	(549)	**(126,120)**
Net Carrying Amount at 31 March 2011	**581,571**	**1,031,077**	**13,271**	**100,023**	**11,226**	**17,007**	**27,277**	**1,781,452**

2009/10 Comparative Figures	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Balance at 1 April 2009								
Gross carrying amount	704,102	953,221	27,883	126,110	8,184	2,947	14,679	**1,837,126**
Accumulated depreciation	(12,533)	(28,645)	(16,167)	(33,313)	0	0	190	**(90,468)**
Net Carrying Amount at 1 April 2009	**691,569**	**924,576**	**11,716**	**92,797**	**8,184**	**2,947**	**14,869**	**1,746,658**
Capital Additions								
Additions	16,578	29,141	3,520	10,555	1,673	386	0	**61,853**
Asset Disposals								
Derecognition - disposals	(538)	(210)	0	0	0	0	0	**(748)**
Derecognition - disposals (depreciation)	9	0	0	0	0	0	0	**9**
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement								
Revaluation increases	0	41,845	0	0	0	0	(2,720)	**39,125**
Revaluation re disposed assets	0	0	0	0	0	0	0	**0**
Depreciation written out	0	0	0	0	0	0	0	**0**
Impairment reversals	0	14,808	0	0	0	0	43	**14,851**
Depreciation and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement								
Revaluation increases	77,277	(6,625)	0	0	0	0	(2,674)	**67,978**
Depreciation charge	(12,815)	(19,252)	(2,822)	(6,119)	0	0	(245)	**(41,253)**
Reversal of previous year's depreciation	12,524	0	0	0	0	0	0	**12,524**
Impairment (losses) / reversals	0	(14,470)	0	0	0	0	121	**(14,349)**
Other Transactions								
Assets reclassified (to) / from assets held for sale	0	(11,688)	0	0	0	0	0	**(11,688)**
Other movements in gross carrying amount	0	(13,260)	142	2,083	993	(2,441)	14,197	**1,714**
Other movements in depreciation	0	1,633	(1)	0	0	0	(1,469)	**163**
Net Carrying Amount at 31 March 2010	**784,604**	**946,498**	**12,555**	**99,316**	**10,850**	**892**	**22,123**	**1,876,838**
Comprising								
Gross carrying amount	797,419	992,762	31,546	138,748	10,850	892	23,604	**1,995,821**
Accumulated depreciation	(12,815)	(46,264)	(18,991)	(39,432)	0	0	(1,481)	**(118,983)**
Net Carrying Amount at 31 March 2010	**784,604**	**946,498**	**12,555**	**99,316**	**10,850**	**892**	**22,123**	**1,876,838**

Measurement Bases

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

- Community assets and assets under construction (excluding investment property assets under construction) are measured at historical cost;
- Infrastructure assets and vehicles, plant and equipment are measured at depreciated historical cost;
- All other classes of asset are measured at fair value; for land and buildings fair value is interpreted as the amount that would be paid for the asset in its existing use. If there is no market based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, the authority estimates fair value using a Depreciated Replacement Cost (DRC) approach. The fair value of council dwellings is measured using Existing Use Value – Social Housing (EUV-SH).

Valuations

The authority carries out a rolling programme for non housing stock assets that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out by the authority's internal valuers, and by Cluttons and Smiths Gore, independent property managing companies. The authority requires that all valuers are RICS qualified.

Land and building valuations are based upon valuation certificates issued by the authority's estates manager at 1 April 1996 and amended by subsequent revaluations. Additional expenditure on these assets since that date is included at its cost and is subject to revaluation. Fixed plant and machinery, such as lifts and central heating, is in most cases included in the valuation of buildings.

Freehold and leasehold properties, which comprise the authority's property portfolio, are valued at 1 April 1996 by the authority's estates manager and external valuers and amended by subsequent revaluations. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) except that:

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

Vehicles, plant, furniture and equipment are held at historic cost and no revaluation of this category of asset takes place.

In certain cases the authority capitalises particular items of expenditure that is below its deminimis level, for example; expenditure funded by grant where the conditions state that the grant should only be applied to capital items of expenditure.

The valuation of the authority's housing stock was carried out by Wilks, Head & Eve. The authority's housing stock and garages and car parking spaces were revalued at 1 April 2010.

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

	Council Dwellings £'000	Other Land & Buildings £'000	Surplus Assets £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Assets Under Cons-truction £'000	Total £'000
Valued at historical cost	0	3,512	0	13,271	100,023	11,226	17,007	145,039
Valued at fair value as at :								
31 March 2011	567,854	295,009	25,451	0	0	0	0	888,314
31 March 2010	0	210,723	1,433	0	0	0	0	212,156
31 March 2009	0	330,634	106	0	0	0	0	330,740
31 March 2008	0	139,114	287	0	0	0	0	139,401
31 March 2007	0	52,046	0	0	0	0	0	52,046
Capital Expenditure	17,170	39	0	0	0	0	0	17,209
Total	**585,024**	**1,031,077**	**27,277**	**13,271**	**100,023**	**11,226**	**17,007**	**1,784,905**

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

Depreciation Methods

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

Useful Lives

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

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

As part of the annual inspection and ongoing management of the authority's property portfolio, attention is paid to the impact of obsolescence, physical damage and changes of use which could affect asset values.

Impairment

During 2010/11, the authority has recognised an impairment loss of £218.624m in respect of its housing stock. This impairment loss is due to a decrease in Social Housing Adjustment Factor from 45% to 32% and is in accordance with guidelines issued by Communities and Local Government. The impairment loss has been charged to the Housing Revenue Account cost of services in the Comprehensive Income and Expenditure Statement.

The authority has also recognised significant impairment losses of £4.981m in respect of General Fund property, plant and equipment:

- £1.542m in respect of one of the authority's schools;
- £2.340m in respect of the land element of the Dome Complex; and
- £1.099m in respect of assets owned by the authority in Stanmer village.

These impairment losses occurred as a result of the revaluation of the asset in accordance with authority's asset revaluation policy and the assets are held at their value in use. The approaches used to determine their value in use are as per the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Impairment losses in respect of property, plant and equipment are charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement under the relevant Cost of Service.

Contractual Commitments

At 31 March 2011, the authority has entered into a number of contracts for the construction or enhancement of Property, plant and equipment budgeted to cost £104.701m. Similar commitments at 31 March 2010 were £101.624m. The following table shows the amount of significant contractual commitments for property, plant and equipment that existed at the Balance Sheet date together with other non contractual commitments in respect of property, plant and equipment that are included in the authority's capital investment programme:

Scheme Name	Description	2011/12 £'000	2012/13 £'000	2013/14 £'000
Council Dwellings				
Housing Stock Programme	New Build / Enhancement of Council Dwellings	39,637	22,529	17,904
Other Land and Buildings				
Support for Major Projects	Investment to deliver major projects through legal, financial, design, architectural, transport & engineering specialist support	400	0	0
Portslade Town Hall	Refurbishment works at Portslade Town Hall	100	0	0

Scheme Name	Description	2011/12 £'000	2012/13 £'000	2013/14 £'000
Strategic Investment Fund	To support a range of corporate priorities and targeted investments to strengthen innovation, job creation and economic growth	0	500	500
Accommodation Strategy	Improvements to operational buildings and radical improvements to customer access points	1,430	0	0
Asset Management Fund	Property improvements, health & safety requirements and access under the Disability Discrimination Act	1,058	1,000	1,000
Volks Railway Shed	Enhancement of Volks Railway Shed	245	0	0
King Alfred H&S works	Health and safety works on the King Alfred Leisure Centre in Hove	500	0	0
Downland Initiative Programme	To examine the feasibility of securing more sustainable management of the downland surrounding Brighton	279	0	0
Hollingdean Depot	Development of site to include a Materials Recovery Facility and Waste Transfer System	651	84	0
Historical Records Centre (The Keep)	Development of a new historical resource centre for East Sussex and Brighton & Hove	4,000	416	0
Planned Maintenance to Operational Buildings	Improvements to civic offices, historic, operational and commercial buildings	500	500	500
Social Services Buildings	Enhancement of buildings within Social Services	1,360	1,136	1,100
Primary Capital Programme	Supports the needs of the Primary schools	5,904	0	0
Devolved formula Capital	Supports the capital needs of buildings in schools	1,139	500	500
Structural Maintenance	Enhancements to structures in schools and educational establishments	920	920	920
Falmer Academy	The creation of an academy in Falmer	5,445	391	0
Targeted Capital fund	Works to secondary schools and other educational properties	714	0	0
NDS Modernisation	Modernisation of schools	104	0	0
Schools Access Iniative	Improve the accessibility of schools	247	0	0
New Pupil Places	Investment to meet the growth in number of new pupil places	5,368	2,806	2,526
Capital Maintenance	Formula funding to support the needs of the schools and children's centres that the authority maintains	3,575	3,218	2,896
Portslade Community Academy	The creation of an academy in Portslade	12,764	0	0
Whitehawk Co-location	To bring health, library, education and children's services together at one site near Whitehawk Primary School	2,689	0	0
Vehicles, Plant and Equipment				
Purchase of Gritter Vehicles	To improve gritter capacity during winter periods	920	0	0
Replacement of Vehicles	Purchase of waste, parks and education vehicles	2,000	1,000	1,000
PlayBuilder	To develop new or refurbish existing play spaces for ages 8-13	458	0	0
Infrastructure Assets				
Local Transport Plan	Strategic planning and delivery of transport	3,350	6,576	6,349
Integrated Transport Schemes	Integration of various transport schemes throughout the city	220	0	0
Ex Leased Car Parks	Enhancement of the former NCP Car Parks	4,000	0	0
Improvements to London Road & Lanes Car Parks	Enhancement of the car parks	546	0	0
S106 Works	Planning obligations to address impacts caused by new developments	704	0	0

18 INVESTMENT PROPERTY

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

2010/11	Total £'000
Carrying Amount as at 1 April 2010	**50,073**
Additions resulting from subsequent expenditure	351
Disposals	0
Net gains / losses from fair value adjustments	(5,470)
Transfers to / from Property Plant and Equipment	(601)
Other Changes	0
Carrying Amount as at 31 March 2011	**44,353**

2009/10 Comparative Figures	Total £'000
Carrying Amount as at 1 April 2009	**49,223**
Additions resulting from subsequent expenditure	555
Disposals	(77)
Net gains / losses from fair value adjustments	2,332
Transfers to / from Property Plant and Equipment	(1,815)
Other Changes	(145)
Carrying Amount as at 31 March 2010	**50,073**

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

Measurement Bases

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

Valuations

Investment property valuations have been carried out by the authority's internal valuers, and by Cluttons and Smiths Gore, independent property managing companies. The authority requires that all valuers are RICS qualified.

The following table shows the progress of the authority's rolling programme for the revaluation of investment property:

	Total £'000
Valued at historical cost	0
Valued at fair value as at :	
31 March 2011	43,944
31 March 2010	58
31 March 2009	0
31 March 2008	0
31 March 2007	0
Capital Expenditure	351
Total Carrying Amount as at 31 March 2011	**44,353**

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

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

Income and Expenses in respect of Investment Property

The authority lets properties in its investment portfolio at the full market rent achievable on the basis of the leases granted.

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

	2009/10 £'000	2010/11 £'000
Rental income from Investment Property	(3,626)	(3,637)
Direct operating expenses (including Repairs and Maintenance) arising from Investment Property	14	10
Net Gain / (Loss)	**(3,612)**	**(3,627)**

Impairment

The authority has recognised a significant impairment loss of £3.929m in respect of investment property assets owned by the authority held for retail purposes. This impairment loss occurred as a result of the revaluation of the asset in accordance with authority's asset revaluation policy and the assets are held at their value in use. The approaches used to determine their value in use are as per the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Impairment losses in respect of investment property are charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure.

Contractual Commitments

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

19 ASSETS HELD FOR SALE

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

	Current		Non Current	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Carrying Amount as at 1 April	**374**	**2,176**	**2,571**	**11,698**
Assets newly classified as held for sale:				
Property, Plant and Equipment	0	0	11,688	0
Revaluation gains	0	0	10	0
Impairment losses	(554)	0	0	(2,400)
Assets sold	(215)	(276)	0	0
Transfers from non current to current	2,571	0	(2,571)	0
Carrying Amount as at 31 March	**2,176**	**1,900**	**11,698**	**9,298**

Measurement Bases

Immediately before the initial classification of an asset as held for sale, the authority measures the carrying amount of the asset in accordance with its accounting policies. The authority measures assets classified as held for sale at the lower of its carrying fair value less costs to sell.

Revaluation Gains /Impairment Losses Recognised

The authority has recognised an impairment loss of £2.4m in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement in respect of assets held for sale.

20 INTANGIBLE ASSETS

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The authority does not hold any internally generated software.

The following table shows the carrying amounts of intangible assets at the beginning and end of the period and the movement during the year:

	2009/10 £'000	2010/11 £'000
Balance at 1 April		
• Gross carrying amount	5,569	6,856
• Accumulated amortisation	(2,593)	(3,418)
Net carrying amount at 1 April	**2,976**	**3,438**
Additions	1,287	1,016
Amortisation for the period	(825)	(1,249)
Net Carrying Amount at 31 March	**3,438**	**6,643**
Comprising:		
Gross carrying amounts	6,856	7,872
Accumulated amortisation	(3,418)	(4,667)
Net Carrying Amount at 31 March	**3,438**	**3,205**

Measurement Bases

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

Useful Lives

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

Amortisation

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation methods for intangible assets are the same as those used for the depreciation of the property, plant and equipment detailed in note 17. The amortisation of £1.249m was charged to the appropriate cost of service in the Comprehensive Income and Expenditure Statement in 2010/11.

Contractual Commitments

The following table shows the amount of significant contractual commitments for the acquisition of intangible assets that existed at the Balance Sheet date together with other non contractual commitments in respect of property, plant and equipment that are included in the authority's capital investment programme:

Scheme Name	Description	2011/12 £'000	2012/13 £'000	2013/14 £'000
Human Resources System	Provision of an integrated human resources and payroll management system	285	0	0
ICT Information Management	New technology to replace current systems for information management	113	0	0
ICT Communications	Telephony systems upgrade and deployment	101	0	0
Financial Information System	Replacement financial information system to meet future improved financial management needs	195	0	0
ICT Fund	Investment in the strategic planning of ICT	500	500	500

Intangible Assets acquired by way of a Government Grant

The authority has one intangible asset in respect of ICT infrastructure acquired by a government grant received in 2010/11. The asset carrying value is £0.072m and has been measured under the cost model.

21 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The authority incurred £84.847m of capital expenditure in 2010/11. The table below shows the total amount of capital expenditure incurred analysed for each category of non current asset together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of the table:

	2009/10 £'000	2010/11 £'000
Opening Capital Financing Requirement	**281,660**	**289,314**
Capital Investment		
- Property, Plant and Equipment	61,853	71,158
- Investment Property	555	351
- Intangible Assets	1,287	1,016
- Revenue Expenditure Funded from Capital under Statute	11,680	12,323
- Loans to Leaseholders	75	0
	75,450	**84,848**
Sources of Finance		
- Capital receipts	(1,330)	0
- Government grants	(36,394)	(54,214)
- Other contributions	(1,156)	(289)
- Major Repairs Allowance (HRA)	(9,352)	(9,506)
- Reserves	(4,262)	(1,622)
- HRA balance	0	(300)
- Revenue contributions	(4,223)	(3,950)
- Revenue provision within payment to PFI contractor	(222)	0
- Revenue provision for repayment of loans	(10,857)	(9,779)
	(67,796)	**(79,660)**
Closing Capital Financing Requirement	**289,314**	**294,502**
Explanation of Movements in Capital Financing Requirement		
Increase in underlying need to borrow (supported by government financial assistance)	8,107	7,375
Increase in underlying need to borrow (unsupported by government financial assistance)	3,802	7,592
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	6,602	0
Repayment of loans	(10,857)	(9,779)
Increase / (Decrease) in Capital Financing Requirement	**7,654**	**5,188**

The Capital Financing Requirement reflects various items in the Balance Sheet, as shown in the following table:

	2009/10 £'000	2010/11 £'000
Non Current Assets *	1,944,223	1,840,208
Mortgages & Deferred Debtors (included in Long Term Debtors)	624	480
Deferred Credits	(207)	(50)
Capital Adjustment Account	(1,446,374)	(1,246,519)
Revaluation Reserve	(208,952)	(299,617)
Total	**289,314**	**294,502**

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

Minimum Revenue Provision

The authority is required by statute to set aside a prudent sum for the repayment of debt (MRP). Guidance issued by the Secretary of State requires Full Council to approve an annual statement on the amount of debt that will be repaid in a financial year. The following statement was approved by Budget Council on 25 February 2010 and relates to the 2010/11 reporting period:

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

The following table shows the amount set aside from revenue:

	2009/10 £'000	2010/11 £'000
General Fund – 'supported debt' : i.e. 4% of notional debt relating to capital investment	6,583	6,708
General Fund – 'unsupported debt' : i.e. repayment over life of asset	2,181	2,240
General Fund – charge equal to write down on PFI liabilities	2,093	831
Total Amount Set Aside from Revenue	**10,857**	**9,779**

22 LEASES AND LEASE TYPE ARRANGEMENTS

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

Authority as Lessee – Finance Leases

The authority, as lessee, recognises finance leases as assets and liabilities at amounts equal to the fair value of the property, or, if lower, the present value of the minimum lease payments. The assets form part of the overall disclosure of non current assets.

The authority has acquired a number of properties under a finance lease which are used by the authority for office space, providing education, social care and library services. The term of these leases range from 125 years to 150 years. The authority has also acquired ICT equipment under a finance lease with a lease term of three years.

The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet categorised as other land and buildings and vehicles, plant and equipment. The following table shows the net carrying amounts for these assets:

	2009/10 £'000	2010/11 £'000
Property, Plant and Equipment:		
• Other Land and Buildings	8,222	11,347
• Vehicles, Plant and Equipment	141	84
Net Carrying Amount as at 31 March	**8,363**	**11,431**

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

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

In relation to the lease for ICT equipment, the authority has a liability of £0.084m which will be payable over the period of one year and no later than five years.

Authority as Lessee – Operating Leases

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

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

The authority uses a number of properties for temporary accommodation for its clients, these properties are leased to the authority under short term operating leases.

The authority has identified a number of assets, under lease type arrangements which are classified as operating leases. These lease type arrangements provide the authority with equipment and property which the authority uses to provide its services. The term for the equipment leases is 10 years and 50 years for the property leases.

The future minimum lease payments due under non cancellable operating leases in future years are:

	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Not later than one year	8,798	8,978	4,275
Later than one year and not later than five years	26,244	19,567	13,114
Later than five years	3,206	2,166	8,033
Total Future Minimum Lease Payments	**38,248**	**30,711**	**25,422**

Where the authority sublet assets acquired under operating leases, these are treated, for disclosure purposes, as separate leases and are disclosed under operating leases where the authority acts as the lessor.

The expenditure charged to the relevant cost of services in the Comprehensive Income and Expenditure Statement in 2010/11 in relation to these leases was £8.842m (£9.161m in 2009/10).

Authority as Lessor - Finance Leases

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

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

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

	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Finance Lease Debtor (net present value of minimum lease			
• Current	14	14	14
• Non current	6,047	6,033	6,039
Unearned finance income (may need to expand)	32,112	31,665	31,218
Total Gross Investment in the Leases	**38,173**	**37,712**	**37,271**

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

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

	Gross Investment in the Lease			Present Value of Minimum Lease Payments		
	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Not later than one year	442	442	460	14	14	14
Later than one year and not later than five years	2,299	2,286	2,875	78	71	204
Later than five years	35,432	34,984	33,936	5,969	5,962	5,835
Total	**38,173**	**37,712**	**37,271**	**6,061**	**6,047**	**6,053**

Authority as Lessor – Operating Leases

The authority, as lessor, presents assets subject to operating leases according to the nature of the asset. The assets form part of the overall disclosure of non current assets. Costs incurred in earning the lease income are recognised as an expense.

The authority has leased out a number of its properties and its land under an operating lease, these properties are used by the lessees for a variety of purposes, such as, offices, residential, retail, agricultural, industrial and recreational. The term of these leases is typically 1 to 30 years.

The future minimum lease payments receivable under non cancellable operating leases in future years are:

	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Not later than one year	8,587	8,981	8,098
Later than one year and not later than five years	27,915	27,516	24,272
Later than five years	121,449	118,231	113,377
Total Future Minimum Lease Payments	**157,951**	**154,728**	**145,747**

23 PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

The authority has three PFI arrangements:

- The authority has entered into a 25 year contract with Brighton & Hove City Schools Services Limited for the expansion and refurbishment of four secondary schools. The contract commenced in April 2003. In 2005 the contract was varied to reduce the number of schools to three. In March 2010 the authority negotiated the removal of "soft services" (i.e. caretaking, cleaning, catering, grounds maintenance) and utilities from the schools PFI. As a result the amount payable to the schools PFI provider has reduced with the schools now directly responsible for the procurement and payment of these services.

- In conjunction with East Sussex County Council, the authority jointly entered into a 25 year agreement for the provision of an integrated waste management service with Southdown Waste Services Ltd. The agreement commenced in April 2003. This agreement was subsequently extended by a further five years.

- A contract with NU Library for Brighton Limited for the provision of a new library and library service commenced in November 2004. The contract will run for 25 years.

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

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

On the expiry of the contracts the assets created under the PFI arrangements automatically revert to the authority at nil consideration. Termination of the contracts prior to the expiry is permitted by either party but only in exceptional circumstances and only after a period of negotiation.

There have been no changes to any of the PFI contracts in the year.

Assets Held under PFI Arrangements

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

2010/11	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Cost or Valuation				
At 1 April 2010	**79,293**	**12,018**	**12,686**	**103,997**
Additions	477	0	0	477
At 31 March 2011	**79,770**	**12,018**	**12,686**	**104,474**
Accumulated Depreciation and Impairment				
At 1 April 2010	**(5,072)**	**(240)**	**(410)**	**(5,722)**
Depreciation charged to the Surplus / Deficit on the Provision of Services	(1,233)	(482)	(209)	(1,924)
At 31 March 2011	**(6,305)**	**(722)**	**(619)**	**(7,646)**
Net Book Value at 31 March 2011	**73,466**	**11,296**	**12,067**	**96,829**
Net Book Value at 1 April 2010	**74,221**	**11,778**	**12,276**	**98,275**

2009/10 Comparative Figures	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Cost or Valuation				
At 1 April 2009	**78,551**	**5,392**	**12,561**	**96,504**
Additions	742	6,626	125	7,493
At 31 March 2010	**79,293**	**12,018**	**12,686**	**103,997**
Accumulated Depreciation and Impairment				
At 1 April 2009	**(3,856)**	**0**	**(204)**	**(4,060)**
Depreciation charged to the Surplus / Deficit on the Provision of Services	(1,216)	(240)	(206)	(1,662)
At 31 March 2010	**(5,072)**	**(240)**	**(410)**	**(5,722)**
Net Book Value at 31 March 2010	**74,221**	**11,778**	**12,276**	**98,275**
Net Book Value at 1 April 2009	**74,695**	**5,392**	**12,357**	**92,444**

The net book value of assets held under the PFI arrangements at 31 March 2011 totalled £96.829m (£98.275m at 31 March 2010) which includes other land and buildings of £94.420m (£97.007m 31 March 2010) and vehicles, plant and equipment of £2.409m (£2.822m 31 March 2010).

In addition the authority holds a prepayment reserve in earmarked reserves on the Balance Sheet in relation to the waste PFI contract. The prepayment reserve represents the amount included in the unitary charge that the authority has modelled as contributing towards the development of the Energy Recovery facility, the construction of which is now nearing completion. The facility is expected to be operational later in 2011.

Payments Due under PFI

The authority makes an agreed payment each year in respect of PFI arrangements; the schools and waste contractual payments are based on a projected annual inflation rate of 2.5%. The libraries contractual payments are based upon a mix of projected inflation rates: retail price at 2.5%, building maintenance at 4.0% and average earnings at 4.5%.

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

The following table details the payments due to be made under the PFI arrangements at 31 March 2011:

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

2009/10 Comparative Figures	Repayment of Liability £'000	Interest Costs £'000	Payment for Services £'000	Total £'000
Schools PFI Contract				
Within 1 year	313	1,421	1,111	**2,845**
Within 2 to 5 years	1,498	5,353	4,898	**11,749**
Within 6 to 10 years	2,862	5,685	7,046	**15,593**
Within 11 to 15 years	4,770	3,876	8,078	**16,724**
Within 16 to 20 years	4,350	953	5,335	**10,638**
Within 21 to 23 years	0	0	0	**0**
Total Payments Due - Schools PFI	**13,793**	**17,288**	**26,468**	**57,549**
Waste PFI Contract				
Within 1 year	3,195	320	7,438	**10,953**
Within 2 to 5 years	4,525	9,007	30,804	**44,336**
Within 6 to 10 years	7,337	9,816	45,308	**62,461**
Within 11 to 15 years	7,562	7,903	55,348	**70,813**
Within 16 to 20 years	13,094	4,993	62,319	**80,406**
Within 21 to 23 years	9,955	1,123	42,322	**53,400**
Total Payments Due - Waste PFI	**45,668**	**33,162**	**243,539**	**322,369**
Library PFI Contract				
Within 1 year	148	595	1,436	**2,179**
Within 2 to 5 years	729	2,245	6,160	**9,134**
Within 6 to 10 years	1,311	2,405	8,734	**12,450**
Within 11 to 15 years	1,979	1,750	10,037	**13,766**
Within 16 to 20 years	2,907	766	10,128	**13,801**
Within 21 to 23 years	0	0	0	**0**
Total Payments Due - Library PFI	**7,074**	**7,761**	**36,495**	**51,330**
Total PFI Contracts				
Within 1 year	3,656	2,336	9,985	**15,977**
Within 2 to 5 years	6,752	16,605	41,862	**65,219**
Within 6 to 10 years	11,510	17,906	61,088	**90,504**
Within 11 to 15 years	14,311	13,529	73,463	**101,303**
Within 16 to 20 years	20,351	6,712	77,782	**104,845**
Within 21 to 23 years	9,955	1,123	42,322	**53,400**
Total Payments Due	**66,535**	**58,211**	**306,502**	**431,248**

The repayment of liability for the waste PFI contract includes a notional prepayment of £2.823m (£2.624m 2009/10) towards new waste facilities under the waste PFI contract. Additionally, the payment for services includes lifecycle payments towards the enhancement and maintenance of PFI assets and inflation. No performance deduction is included in the above table as it is unknown as to whether they will arise.

Liabilities Resulting from PFI Arrangements

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

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

2009/10 Comparative Figures	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
At 1 April 2009	**14,084**	**4,421**	**7,213**	**25,718**
New Operational Assets	0	6,602	0	6,602
Use of Prepayment Reserve	0	(1,352)	0	(1,352)
Lease Repayment	(291)	(313)	(137)	(741)
At 31 March 2010	**13,793**	**9,358**	**7,076**	**30,227**

The above table includes long term liabilities of £27.9m (£29.394m 2009/10) and short term liabilities of £1.5m (£0.833m 2009/10) at 31 March 2011; the long term liability being included in other long term liabilities in the Balance Sheet and the short term liability included in short term creditors.

24 PROVISIONS

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

	Balance at 1 April 2010 £'000	Additional Provsions made in 2010/11 £'000	Amounts Used in 2010/11 £'000	Unused Amounts Reversed in 2010/11 £'000	Balance at 31 March 2011 £'000
Short Term Provisions					
Accumulated Absences	(4,780)	(5,020)	4,780	0	(5,020)
Total	**(4,780)**	**(5,020)**	**4,780**	**0**	**(5,020)**
Long Term Provisions					
Single Status Liability Provision	(1,250)	(1,924)	124	0	(3,050)
Voluntary Severance Scheme Provision	0	(2,746)	0	0	(2,746)
Other Provisions	(548)	(1,009)	0	133	(1,424)
Total	**(1,798)**	**(5,679)**	**124**	**133**	**(7,220)**

All provisions, apart from the accumulated absences provision, are classed as long term because there is uncertainty regarding the timeframe for settlement of the liability.

Accumulated Absences

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

Single Status Liability Provision

The authority made proactive offers to groups of staff in relation to potential equal pay back pay liabilities and has implemented the outcome of a pay and grading review. The provision relates to potential outstanding liabilities that the authority is very likely to incur in relation to these matters. To help establish the potential liability, a legal review was conducted of all outstanding employment tribunal and internal grievance claims. This provision is separate to the single status earmarked reserve which is to meet potential liabilities that cannot be estimated with any certainty. Details of the single status earmarked reserve are included in note 11.

Voluntary Severance Scheme Provision

The authority has established a voluntary severance scheme to allow its officers to consider leaving their employment with the authority in return for a severance package. This scheme has been established to assist the authority in meeting its tough financial targets in 2011/12 whilst avoiding the need for compulsory redundancies. A provision has been set up to fund these costs.

Other Provisions

All other provisions are individually insignificant.

25 USABLE RESERVES

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

General Fund Balance

The General Fund balance shows the resources available to meet future running costs for non-housing services.

Earmarked General Fund Reserves

The authority holds a number of earmarked General Fund reserves which are used to earmark resources for specific General Fund purposes; see note 11 for a breakdown of General Fund earmarked reserves.

Housing Revenue Account

The Housing Revenue Account shows the resources available to meet future running costs for council dwellings. The HRA financial statements can be found on pages 135 to 143.

Earmarked HRA Reserves

The authority holds a number of earmarked HRA reserves which are used to earmark resources for specific HRA purposes; see note 11 for a breakdown of HRA earmarked reserves.

Capital Receipts Reserve

The capital receipts reserve holds the proceeds of non current asset sales available to meet future capital investment. The Capital Receipts Reserve is only used to fund capital expenditure or repay debt. Capital receipts are held in this reserve until such time they are used to finance capital expenditure.

Capital Grant Unapplied Account

The Capital Grant Unapplied Account holds capital grants (with either no conditions or where conditions have been met) received by the authority where expenditure is yet to be incurred.

26 UNUSABLE RESERVES

The authority holds a number of unusable reserves being those reserves that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences between the accounting basis and funding basis.

The following table shows the movement on unusable reserves analysed between those amounts held for capital purposes and those held for revenue purposes:

	Balance as at 1 April 2009 £'000	Balance as at 31 March 2010 £'000	Balance as at 31 March 2011 £'000
Unusable Reserves Held for Revenue Purposes			
Collection Fund Adjustment Account	1,507	(2,602)	183
Financial Instruments Adjustment Account	2,070	1,761	1,380
Available-for-Sale Financial Instruments Reserve	(76)	(9)	(22)
Pensions Reserve	138,868	341,334	95,549
Accumulated Absences Account	4,171	4,780	5,020
Total Unusable Reserves Held for Revenue Purposes	**146,540**	**345,264**	**102,110**
Unusable Reserves Held for Capital Purposes			
Revaluation Reserve	(160,258)	(208,952)	(299,617)
Capital Adjustment Account	(1,360,178)	(1,446,374)	(1,246,519)
Deferred Capital Receipts Reserve	(6,278)	(6,254)	(6,104)
Total Unusable Reserves Held for Capital Purposes	**(1,526,714)**	**(1,661,580)**	**(1,552,240)**
Total Unusable Reserves	**(1,380,174)**	**(1,316,316)**	**(1,450,130)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its property, plant and equipment. The balance on the reserve is reduced when assets with accumulated gains are:

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

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

The table below shows the balances on the Revaluation Reserve at the beginning and end of the reporting period and the detailed movements in the year:

Revaluation Reserve	2009/10	2010/11	
	£'000	£'000	£'000
Balance as at 1 April	**(160,258)**		**(208,952)**
Upward revaluation of assets	(58,209)	(99,116)	
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Service	4,546	1,478	
Surplus / Deficit on revaluation of non current assets not posted to the Surplus /Deficit on the Provision of Services	**(53,663)**		**(97,638)**
Difference between fair value depreciation and historical cost depreciation	4,715	5,477	
Accumulated gains on assets sold or scrapped	259	893	
Other amounts written off to Capital Adjustment Account	(5)	603	
Amount written off to the Capital Adjustment Account	**4,969**		**6,973**
Balance as at 31 March	**(208,952)**		**(299,617)**

Capital Adjustment Account

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

The Capital Adjustment Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the authority. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 10 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve. The account is matched by non current assets within the Balance Sheet and therefore is not a resource available to the authority.

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

Capital Adjustment Account			
	2009/10	2010/11	
	£'000	£'000	£'000
Balance as at 1 April	**(1,360,178)**		**(1,446,374)**
Reversal of items relating to capital expenditure debited / credited to the Comprehensive Income and Expenditure Statement			
Charges for depreciation and impairment of non current assets	65,754	264,401	
Upward revaluation reversing a previous revaluation loss on housing stock	(90,359)	0	
Amortisation of intangible assets	825	1,249	
Revenue expenditure funded from capital under statute	11,680	12,323	
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	1,040	3,060	
	(11,060)		281,033
Adjusting amounts written out to the Revaluation Reserve	(4,969)		(6,973)
Net written out amount of the cost of non current assets consumed in the year	**(16,029)**		**274,060**
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,330)	0	
Use of Earmarked Reserves to finance new capital expenditure	(4,822)	(1,622)	
Use of HRA balance for capital financing	0	(300)	
Use of the Major Repairs Reserve to finance new capital expenditure	(9,352)	(9,506)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(34,475)	(53,599)	
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,520)	(914)	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,583)	(6,708)	
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(4,274)	(3,071)	
Capital expenditure charged against the General Fund and HRA balances	(4,479)	(3,950)	
Other adjustments	0	(5)	
	(67,835)		**(79,675)**
Movements in the market value of investment properties debited / credited to the Comprehensive Income and Expenditure Statement	**(2,332)**		**5,470**
Balance as at 31 March	**(1,446,374)**		**(1,246,519)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat those gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

The table below shows the balances on the Deferred Capital Receipts Reserve at the beginning and end of the reporting period and the detailed movements in the year:

Deferred Capital Receipts Reserve		
	2009/10 £'000	2010/11 £'000
Balance as at 1 April	**(6,278)**	**(6,254)**
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	10	16
Write Down of Finance Lease Liability	14	(6)
Transfer to the Capital Receipts Reserve upon receipt of cash (Housing Association Loan)	0	140
Balance as at 31 March	**(6,254)**	**(6,104)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The amount held in this account is not a resources available to the authority. As payments out of the Collection Fund are controlled by the statutory provisions, the amount that can be credited or debited against the General Fund balance for surpluses/deficits is limited to the 15 January estimate of the share of the Collection Fund balance for the previous year. The table below shows the balances on the Collection Fund Adjustment Account at the beginning and end of the reporting period and the detailed movements in the year:

Collection Fund Adjustment Account		
	2009/10 £'000	2010/11 £'000
Balance as at 1 April	**1,507**	**(2,602)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,109)	2,785
Balance as at 31 March	**(2,602)**	**183**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

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

The reserve is matched by borrowing and investments within the Balance Sheet and therefore is not a resource available to the authority. The table below shows the balances on the Available for Sale Financial Instruments Reserve at the beginning and end of the reporting period and the detailed movements in the year:

Available for Sale Financial Instruments Reserve		
	2009/10 £'000	2010/11 £'000
Balance as at 1 April	**(76)**	**(9)**
Upward revaluation of investments	(1)	(20)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income and Expenditure	68	7
Balance as at 31 March	**(9)**	**(22)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure

Statement when they are incurred, but reversed out of the General Fund balance to the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the authority's case, this period is 49 years. As a result, the balance on the Financial Instruments Adjustment Account at 31 March 2011 will be charged to the General Fund over the next 44 years. The table below shows the balances on the Financial Instruments Adjustment Account at the beginning and end of the reporting period and the detailed movements in the year:

Financial Instruments Adjustment Account			
	2009/10	**2010/11**	
	£'000	**£'000**	**£'000**
Balance as at 1 April	**2,070**		**1,761**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	113	0	
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(422)	(381)	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**(309)**		**(381)**
Balance as at 31 March	**1,761**		**1,380**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The table below shows the balances on the Pensions Reserve at the beginning and end of the reporting period and the detailed movements in the year:

Pensions Reserve		
	2009/10 £'000	**2010/11 £'000**
Balance as at 1 April	**138,868**	**341,334**
Actuarial gains / losses on pension assets and liabilities	201,098	(172,707)
Reversal of items relating to retirement benefits debited /credited to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	23,552	(51,292)
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,184)	(21,786)
Balance as at 31 March	**341,334**	**95,549**

The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet. Note 34 provides further information.

Accumulated Absences Account

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

Accumulated Absences Account	2009/10	2010/11	
	£'000	£'000	£'000
Balance as at 1 April	**4,171**		**4,780**
Settlement or cancellation of accrual made at the end of the preceding year	(4,171)	(4,780)	
Amounts accrued at the end of the current year	4,780	5,020	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**609**		**240**
Balance as at 31 March	**4,780**		**5,020**

27 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The authority has a material contingent liability in respect of insurance. The authority is unable to identify with any accuracy which insurance claims will become payments in the future. Each individual claim is allocated a reserve at the time the claim is first brought against the authority in accordance with common practice within the insurance industry. Actual payments can differ from initial estimates due to a number of factors including, but not limited to, ability to successfully defend claims, the proportion of outstanding claims that become litigated, level of legal fees and the judge presiding over trials.

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

Following a complaint to the European Commission about compliance with EU procurement rules about the five year extension of the Integrated Waste Management Services PFI contract with South Downs Waste Services Limited (Veolia), the authority declared a contingent liability for 2009/10. The contract is jointly let with East Sussex County Council. The Commission sought responses from the local authorities involved and the government. On the basis of the information and arguments put forward, the Commission has decided to close the case against all parties as declared on their website on 3rd June 2010. Therefore there is no contingent liability to disclose.

28 RELATED PARTIES

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

Central Government

Central Government has effective control over the general operations of the authority and provides the statutory framework within which the authority operates, provides much of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills, housing benefits). Details of the general grants and specific grants received from government departments in 2010/11 can be found in notes 14 and 15 respectively. Details of the amounts owed to/from central government are included in notes 39 and 38 respectively.

Levying Authorities

Other public bodies may levy the authority (i.e. make a demand on the council tax requirement). For 2010/11 levies totalled £206,554 (£201,434 2009/10). These are included in Other Operating Expenditure within the Comprehensive Income and Expenditure Statement together with a precept of £27,000 for Rottingdean Parish Council.

Members

Members of the authority have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in note 29. During 2010/11, works and services to the value of £8.838m (£9.337m 2009/10) were commissioned from companies in which members have declared an interest. Contracts were entered into in full compliance with the authority's standing orders. Details of these transactions are recorded in the Register of Member's Interests which can be found on the authority's website under each councillor.

Officers

In 2010/11 there were no related party transactions requiring disclosure in relation to senior officers who have the authority and responsibility for planning, directing and controlling the activities of the authority. Details of officer remuneration can be found in note 30.

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

The authority has entered into various S75 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 s75 arrangements are detailed in note 9.

Entities Controlled or Significantly Influenced by the Authority

The Sussex Innovation Centre acts as a business incubator and innovation support unit for Sussex and the south east. The authority was a minority shareholder in this company but had no control or influence over the centre. The authority surrendered to the company its shareholding in 2008/09. The share surrender was conditional upon the university and the company undertaking that the premises and land would not be sold or transferred to a third party, nor a change be made to its usage regarding the purpose for which it was built without consent of the authority and also that there would be no change, amendment or alteration made to the company's objects. Under the surrender agreement the university is obliged, to the year 2034, to indemnify the authority, as the accountable body to the South East England Development Agency (SEEDA), for any repayment of grant in the event of a breach of the obligations as set out in the grant determination and terms of the surrender agreement.

The Brighton City Centre Business Forum is a partnership between city centre businesses and the authority. The authority has a maximum of three representatives on the company's board which can consist of a maximum of 21 people. The authority's Chief Executive and two members are all directors of the company. The authority contributed £41,580 to the forum during 2010/11 (£39,770 in 2009/10), which represents 39% of the total core funding of £108,000.

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

The authority nominates two members to sit on the board of trustees of Brighton Dome & Festival Ltd. The trustees are also company members and their liability is limited to £1.

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

Brighton & Hove Seaside Community Homes Limited is a not for profit charity company set up by the authority as a local delivery vehicle to raise investment for improvements to council dwellings. The company was incorporated in March 2009 but trading activity has been limited to the commissioning of financial advisors to assist in the development of a business case. The Board membership comprises twelve directors of which the authority may nominate up to four members to serve as directors.

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

29 MEMBERS' ALLOWANCES AND EXPENSES

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

	2009/10 £'000	2010/11 £'000
Allowances	869	879
Expenses	1	1
Total Payments to Members	**870**	**880**

The expenses included in the above table are for expenses claimed by members and paid direct to them; this covers such items as cost of travel and subsistence on approved duties outside the Brighton and Hove City area. Expenses for duties within the city are covered by the allowance paid to members. Details of allowances and expenses paid in 2010/11 are published in the local newspaper, the Argus and posted on the notice boards outside the town halls in Brighton and Hove and on the authority's website.

30 OFFICERS' REMUNERATION

The remuneration paid to the authority's senior employees broken down between salaries of £150,000 or more per year and salaries of between £50,000 and £149,999 per year is detailed in the tables below. The definition of a senior employee is provided in the Accounts and Audit regulations and the authority includes the Chief Executive, identified by job title and name, together with directors who report directly to the Chief Executive, hold a statutory post or have responsibility for the management of the authority with the power to direct or control its major activities, identified by job title within this disclosure.

The authority has reorganised its structure to develop a new commissioning model; this organisation structure being implemented from 1 November 2010. The aim of the new commissioning model is to change the way the authority works with its partners in the public, private and voluntary sector to create services that focus on the needs of the authority's residents. Within the new structure, there is a new Strategic Leadership Board consisting of the Chief Executive, four Strategic Directors and a Director of Finance. The authority put in place interim arrangements to move from the old department based organisational structure to the new commissioning model.

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

2009/10	2010/11					
Total Remuneration including Pension Contributions	Post Holder Information	Salary (including Fees & Allowances)	Expense Allowances	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
£		£	£	£	£	£
107,900	Chief Executive - J Barradell	189,700	1,500	**191,200**	28,900	**220,100**
22,700	Chief Executive - A McCarthy	0	0	**0**	0	**0**
87,600	Interim Chief Executive - A Bailey	0	0	**0**	0	**0**
218,200	**Total**	**189,700**	**1,500**	**191,200**	**28,900**	**220,100**

The Chief Executive also fulfilled the role of Returning Officer for the 2010 Parliamentary Elections. The remuneration for carrying out these duties in all three constituencies in Brighton and Hove was £9,692. This amount is recoverable from central government and is therefore not included in the above table.

A new Chief Executive (J Barradell) was appointed in October 2009; the previous post holder (A McCarthy) having left in April 2009. An interim Chief Executive (A Bailey) was appointed to cover the period between.

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

2009/10	2010/11							
Total Remuneration including Pension	Post Holder Information	Note	Salary (including Fees & Allowances)	Expense Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
£			£	£	£	£	£	£
0	Strategic Director - Resources	1 & 2	69,500	0	0	**69,500**	10,600	**80,100**
0	Strategic Director - Communities	1	63,700	7,000	0	**70,700**	0	**70,700**
0	Strategic Director - Place	1	57,900	7,600	0	**65,500**	8,900	**74,400**
0	Strategic Director - People	1	57,900	0	0	**57,900**	8,900	**66,800**
0	Director of Finance	2	36,700	0	0	**36,700**	5,600	**42,300**
0	Acting Director of Adult Social Care & Health	1	37,100	0	0	**37,100**	5,700	**42,800**
0	Acting Director of Environment	1	21,200	0	0	**21,200**	3,200	**24,400**
0	Acting Director of Strategy & Governance	1	18,400	0	0	**18,400**	2,800	**21,200**
0	Acting Director of Children's Services	1	29,300	0	0	**29,300**	4,300	**33,600**
0	Acting Director of Housing	1	12,500	0	0	**12,500**	1,900	**14,400**
0	Acting Director of Culture & Enterprise	1	10,800	0	0	**10,800**	1,600	**12,400**
0	Lead Commissioner for Adult Services, Social Care & Health Partnerships	6	40,300	0	0	**40,300**	6,200	**46,500**
0	Head of Planning & Public Protection	7	33,200	0	0	**33,200**	5,100	**38,300**
0	Head of City Services	7	36,800	100	0	**36,900**	5,700	**42,600**
0	Head of Tourism & Leisure	7	31,000	0	0	**31,000**	4,800	**35,800**
0	Head of Housing & Social Inclusion	7	30,900	0	0	**30,900**	4,800	**35,700**
0	Head of City Infrastructure	7	36,800	0	0	**36,800**	5,700	**42,500**
0	Head of Children & Families	7	37,900	0	0	**37,900**	5,800	**43,700**
0	Head of Adults Assessment	8	12,500	500	0	**13,000**	0	**13,000**
0	Head of Adults Provider	7	29,700	0	0	**29,700**	4,600	**34,300**
58,500	Director of Strategy & Governance	5	43,300	0	125,100	**168,400**	7,100	**175,500**
60,800	Interim Director of Strategy & Governance	5	0	0	0	**0**	0	**0**
128,500	Director of Adult Social Care & Housing	4	0	0	0	**0**	0	**0**
110,500	Director of Culture & Enterprise	4	47,500	100	100,100	**147,700**	7,100	**154,800**
126,400	Director of Environment		44,100	0	169,300	**213,400**	5,700	**219,100**
143,400	Director of Children's Services		92,800	0	258,000	**350,800**	8,700	**359,500**
73,300	Director of Finance & Resources	2 & 3	65,000	0	0	**65,000**	9,900	**74,900**
701,400	**Total**		**996,800**	**15,300**	**652,500**	**1,664,600**	**134,700**	**1,799,300**

Notes

1) The new Strategic Directors were appointed during the period October to November 2010. For the two months leading up to the new organisational structure, interim arrangements were in place with six acting directors being appointed for this period.

2) Under the old organisation structure the responsibility for finance and resources was under one director post. Under the new structure the resources element of this role transferred to the Strategic Director - Resources post with the Director of Finance being a stand alone post with the statutory S151 duties, these revised duties commenced on 1 November 2010.

3) An Interim Director of Finance was appointed on a consultancy basis between September 2008 and August 2009 the interim arrangement has been excluded from this disclosure. The full year equivalent salary of the permanent post would have been £95,000 in 2008/09 and £100,000 in 2009/10

4) The Director of Adult Social Care & Housing left in February 2010, following their departure a restructure took place with the housing element of the role being assigned to the Director of Culture & Enterprise, their job title being renamed the Director of Housing, Culture & Enterprise. The Director of Adult Social Care post was filled on an interim basis by an acting up arrangement and has not been included in this disclosure.

5) The Director of Strategy & Governance post was covered by interim arrangements during the period up to September 2009 due to the post holder being the interim Chief Executive during the same period.

6) The Lead Commissioner for Adult Services, Social Care and Health Partnerships post includes the statutory role of Director of Social Services.

7) The new heads of service commenced their new duties on 1 November 2010 following the authority restructure.

8) The Head of Adults Assessment commenced their duties on 7 February 2011.

9) In cases where the post holder has been in post for less than a full year the proportion of their remuneration relating to the period in post has been disclosed in the above table, however their full year remuneration meets the disclosure parameters.

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

Remuneration Band	2009/10 Number of Staff	2010/11 Number of Staff
£50,000 - £54,999	101	95
£55,000 - £59,999	52	55
£60,000 - £64,999	38	36
£65,000 - £69,999	23	18
£70,000 - £74,999	8	12
£75,000 - £79,999	8	12
£80,000 - £84,999	5	6
£85,000 - £89,999	4	6
£90,000 - £94,999	1	1
£95,000 - £99,999	1	2
£100,000 - £104,999	1	1
£105,000 - £109,999	3	1
£110,000 - £114,999	1	1

31 EXTERNAL AUDIT COSTS

In 2010/11 the authority incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the authority's external auditors:

	2009/10 £'000	2010/11 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	368	352
Fees payable to the Audit Commission in respect of statutory inspection	18	0
Fees payable to the Audit Commission for the certification of grant claims and returns	57	60
Total	**443**	**412**

The amounts for external audit services carried out by the appointed auditor and certification of grants in 2009/10 have been updated from the estimate originally shown in the 2009/10 accounts to reflect the actual costs incurred.

The statutory inspection fees relate to the comprehensive area assessment; 2009/10 was the last year of this inspection regime.

Work relating to 2010/11 certification of grants has not yet been completed; however an estimate of the level of fees to be charged has been included in the above table.

32 TERMINATION BENEFITS

The authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £2.986m (£2.109m in 2009/10). Of this total, £0.652m was payable to the former directors of the authority in the form of compensation for loss of office and enhanced pension benefits, as disclosed in note 30. The remaining £2.334m was payable to officers from different services across the authority who were made redundant as part of the authority's rationalisation of services.

33 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the TP uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. It is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the authority paid £9.44m (£9.22m for 2009/10) to the Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (14.1% for 2009/10) of pensionable pay. There were no contributions remaining payable at the year end.

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

34 DEFINED BENEFIT PENSION SCHEMES

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

The authority participates in the Local Government Pension Scheme (LGPS) administered locally by East Sussex County Council. The scheme is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

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

Transactions relating to Post Employment Benefits

Post employment benefits are recognised in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the authority is required to make against council tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out of the General Fund balance to the Pensions Reserve and reported in the Movement in Reserves Statement.

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

	2009/10 £'000	2010/11 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
• current service cost	(12,034)	(23,702)
• past service cost	(308)	82,383
• settlements and curtailments	(238)	(328)
Financing and Investment Income and Expenditure		
• interest cost	(35,778)	(44,497)
• expected return on scheme assets	24,806	37,436
Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services	**(23,552)**	**51,292**
Movement in Reserves Statement		
• reversal of net charges made to the Surplus / Deficit for the Provision of Services for post employment benefits in accordance with the Code	23,552	(51,292)
Actual amount charged against the General Fund Balance for pensions in the year		
• employers' contributions payable to the scheme	(22,184)	(21,786)
Net Adjustment to Pension Reserve	**1,368**	**(73,078)**

The current service cost has increased significantly, by £11.668m due to the changes in the real discount rate used by the pensions actuary; this serves to make the cost of new benefits earned by employee members over 2010/11 more expensive than was the case in 2009/10. In addition, the service cost has also been affected by the actuary basing assumptions on the start of the period (i.e. 31st March 2010) rather than at the end of the period.

The past service cost amount is now based on the Consumer Prices Index (CPI) instead of the Retail Prices Index (RPI), the impact being a significant increase in past service costs of £82.691m.

The actuarial gain in 2010/11 was £172.707m. The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £158.381m.

Assets and Liabilities in relation to Post Employment Benefits

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

	2009/10 £'000	2010/11 £'000
Balance at 1 April	**(516,884)**	**(867,443)**
Current service cost	(12,034)	(23,702)
Interest cost	(35,778)	(44,497)
Contributions by scheme participants	(7,243)	(7,387)
Actuarial gains / (losses)	(313,746)	163,696
Losses / (gains) on curtailment	(238)	(328)
Unfunded benefits paid	1,835	1,857
Benefits paid	16,953	21,008
Past service cost	(308)	82,383
Balance at 31 March	**(867,443)**	**(674,413)**

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

	2009/10 £'000	2010/11 £'000
Balance at 1 April	**378,015**	**526,109**
Expected rate of return	24,806	37,436
Actuarial gains and (losses)	112,648	9,011
Employer contribution as per actuary report	19,205	21,347
Adjustment for actual employer contribution	(700)	(2,255)
Contribution in respect of unfunded benefits as per actuary report	1,835	1,857
Adjustment for actual contribution in respect of unfunded benefits	1,845	837
Contributions by scheme participants	7,243	7,387
Unfunded benefits made	(1,835)	(1,857)
Benefits paid	(16,953)	(21,008)
Balance at 31 March	**526,109**	**578,864**

The expected return on scheme assets of £37.436m (£24.806m for 2009/10) is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments were based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £36.494m (£137.454m for 2009/10).

Local Government Pension Scheme History

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

	31 March 2007 £'000	31 March 2008 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Present Value of Liabilities	(577,940)	(523,318)	(516,884)	(867,443)	(674,413)
Fair Value of Assets	462,557	447,076	378,015	526,109	578,864
Deficit in the Scheme	**(115,383)**	**(76,242)**	**(138,869)**	**(341,334)**	**(95,549)**

The present value of liabilities shows the underlying commitments that the authority has in the long run to pay post employment benefits. The total liability of £674.413m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £95.549m after adjusting for actual employer's contributions. The deficit prior to this adjustment being made was £97.459m. However, statutory arrangements for funding the pension deficit mean that the financial position of the authority remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

Based on the current benefit structure of the Local Government Pension Scheme (LGPS) and using the roll forward method, the actuarial estimate of the present value of funded liabilities of £675.542m as at 31 March 2011 is £649.458m for funded obligations which includes £293.905m, £116.170m and £239.383m in respect of employee members, deferred pensioners and pensioners respectively and £26.084m unfunded obligations which comprises £18.500m in respect of LGPS unfunded pensions and £7.584m in respect of teachers' unfunded pensions. The difference of £1.129m between the actuarial estimate of the present value of funded liabilities and the amount disclosed in the table above relates to an adjustment for actual contributions.

The figures now include the authority's share (35%) of the assets and liabilities left behind following the liquidation of Sussex Careers Ltd on 12 November 2008. No allowance was made for prior year figures as the percentage share was still under discussion at this point.

Assuming no material events (e.g. curtailments, settlements, restrictions) are placed on admitting new entrants to the fund or discontinued participation in the fund, the total contributions expected to be made to the Local Government Pension Scheme by the authority in the year to 31 March 2012 will be in the region of £19.394m.

Basis for Estimating Assets and Liabilities

Liabilities for the Local Government Pension Scheme have been assessed on an actuarial basis using the projected unit credit method (i.e. an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc).

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

	31 March 2010	31 March 2011
Long term expected rate of return on assets in the scheme		
Equity Investments	7.8%	7.5%
Bonds	5.0%	4.9%
Property	5.8%	5.5%
Cash	4.8%	4.6%
Mortality assumptions		
Longevity at 65 for current pensioners:		
• men	20.8 years	21.3 years
• women	24.1 years	23.4 years
Longevity at 65 for future pensioners:		
• men	22.3 years	23.3 years
• women	25.7 years	25.7 years
Financial assumptions		
Rate of inflation/pension increase rate	3.8%	2.8%
Rate of increase in salaries	5.3%	5.1%
Rate for discounting scheme liabilities	5.5%	5.5%
Expected total return on assets	7.1%	6.9%
Take up of option to convert annual pension in retirement grant	*	*

* Pre April 2008 50.0% and post April 2008 75.0%

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

	31 March 2010	31 March 2011
Equity Investments	74.0%	78.0%
Bonds	5.0%	8.0%
Property	7.0%	8.0%
Cash	14.0%	6.0%
Total	**100%**	**100%**

History of Experience Gains and Losses

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

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

	2006/07		2007/08		2008/09		2009/10		2010/11	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Experience gains and (losses) on assets	220	0	(57,015)	(12.8)	(109,733)	(29.1)	112,648	19.5	9,011	1.5
Experience gains and (losses) on liabilities	14	0	2,091	(0.4)	(1,822)	0.4	(1,480)	0.2	77,667	(11.5)

35 CASH AND CASH EQUIVALENTS

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

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

Cash and Cash Equivalents

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

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

Cash and Cash Equivalents			
	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Bank current accounts	(3,780)	(2,739)	(4,731)
Short term deposits	5,066	16,315	24,024
Total Cash and Cash Equivalents	**1,286**	**13,576**	**19,293**

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

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

Reconciliation of Net Cash Flows from Operating Activities to the Surplus / Deficit on the Provision of Services		
	2009/10 £'000	2010/11 £'000
Surplus / (Deficit) on the Provision of Services	**73,868**	**(129,461)**
Adjustments to the Surplus / Deficit on the Provision of Services for Non Cash Movements		
Depreciation, amortisation, impairment and downward valuations	66,579	265,650
Upward valuation reversing a previous valuation loss on housing stock	(90,359)	0
Adjustments for effective interest rates	43	55
Increase / (decrease) in creditors	(12,345)	9,139
(Increase) / decrease in debtors	(3,061)	3,291
(Increase) / decrease in inventories	27	101
Pension liability	1,368	(73,078)
Contributions to/(from) provisions	599	5,422
Carrying amount of property, plant and equipment, investment property and intangible assets sold	1,040	3,060
Carrying amount of short and long term investments sold	446,124	3,626
Movement in investment property values	(2,332)	5,470
	407,683	**222,736**
Adjustments for items included in the Surplus / Deficit on the Provision of Services that are Investing or Financing Activities		
Capital Grants credited to surplus / deficit on the provision of services	(35,161)	(54,284)
Proceeds from the sale of short and long term investments	(446,124)	(3,626)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,967)	(2,533)
	(483,252)	**(60,443)**
Net Cash Flows from Operating Activities	**(1,701)**	**32,832**

Net Cash Flows from Operating Activities relating to Interest

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

Net Cash Flows from Operating Activities relating to Interest		
	2009/10 £'000	2010/11 £'000
Interest Received		
Ordinary interest received	1,304	4,527
Other adjustments for differences between effective interest rates and actual interest receivable - investments	(31)	(19)
Movement in Debtor	764	121
	2,037	**4,629**
Interest Paid		
Interest charge for year	(10,846)	(10,782)
Adjustments for differences between effective interest rates and actual interest payable	74	74
Movement in Debtor	18	60
	(10,754)	**(10,648)**
Net Cash Flows from Operating Activities relating to Interest	**(8,717)**	**(6,019)**

Net Cash Flows from Investing Activities

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

Net Cash Flows from Investing Activities		
	2009/10 £'000	2010/11 £'000
Purchase of property, plant and equipment, investment property and intangible assets		
Property, plant and equipment purchased	(61,853)	(71,158)
Purchase of intangible assets	(1,287)	(1,016)
Purchase of investment properties	(555)	(351)
Add back new finance leases (non cash flow item)	140	0
Add back PFI assets (non cash flow item)	5,250	0
Movement in Capital Creditors	103	93
	(58,202)	**(72,432)**
Purchase of short term investments	(421,373)	(9,996)
Long term loans granted	(127)	(52)
Proceeds from short term investments	446,124	3,626
Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,897	2,549
	26,521	**(3,873)**
Other Receipts from Investing Activities		
Other capital cash receipts	276	511
Capital grants received	38,735	65,903
	39,011	**66,414**
Net Cash Flows from Investing Activities	**7,330**	**(9,891)**

Net Cash Flows from Financing Activities

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

Net Cash Flows from Financing Activities		
	2009/10 £'000	2010/11 £'000
Cash receipts of short and long term borrowing	195,500	20,000
Billing Authorities - Council Tax and NNDR adjustments	(2,889)	2,812
Repayment of short term and long term borrowing	(185,950)	(40,035)
Net Cash Flows from Financing Activities	**6,661**	**(17,223)**

36 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the authority's Full Council on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

The authority identifies its principal departments (i.e. principal operating segments) as those departments whose gross income and/or gross expenditure is 10% or more of the total gross income and/or gross expenditure of the reportable cost of services. Departments which do not meet this criteria are only reported to ensure that the reportable segments include at least 75% of the net expenditure within the reportable cost of services; the prioritisation given to reporting other departments which do not meet the 10% or more criteria is by their % of the net expenditure within the reportable cost of services. Other departments not meeting these two criteria are further considered for inclusion in the reportable segments to assess any added value in relation to the understanding for the readers of the accounts of the authority's financial position. For 2010/11 the authority has opted to report all of its operating segments.

The authority does not aggregate any operating segments for reporting purposes.

In 2010/11, the principal operating segments of the authority are shown below. However, please note that the authority has since undertaken organisational change and the grouping of services will be different for future financial statements:

- Children and Young Peoples Trust which is a single organisation established through a partnership agreement under Section 75 of the National Health Service Act 2006 between the authority, Brighton & Hove Primary Care Trust and South Downs Health NHS Trust. It is a commissioning led organisation responsible for overseeing and co-ordinating all services to children, young people and their families aged 0-19, and which also provides a range of these services;
- Adult Social Care which is responsible for overseeing and co-ordinating all services to older people. The department also contributes to the Section 75 partnership arrangements for services for adults with learning disabilities, working age adults and older people with mental health needs, intermediate care, substance misuse and AIDS/HIV;
- Environment which provides the following services:
    - Public Safety which includes environmental health, licensing, trading standards, emergency planning as well as services to reduce crime, fear of crime, anti-social behaviour and drug and alcohol dependency;

- Sustainable Transport which manages all aspects of transport planning, traffic and highway management, including assessing the impact of the authority's major projects, road safety, support to public transport and parking;
- City Planning which deals with planning and building regulations applications and is also responsible for the planning framework for the city and contributing to regional planning.;
- City Services which includes sustainable street cleansing, recycling and refuse services to all residents in the city and also manages parks and green spaces across the city;
- Sport and Leisure which provides a wide range of sports facilities and sports development opportunities across the city.

- Finance and Resources which provides the following services:
  - Financial Services, Procurement, Treasury Management, Insurance and Internal Audit services;
  - Property and Design which covers asset management of the authority's property portfolio;
  - ICT & e-Government;
  - Customer Services which includes revenues (council tax, NNDR and bailiffs) and benefits, life events (bereavement services, coroners office, land charges, electoral services and registrars) and access services (city direct, cashiers, enquiries and concessionary travel, reception, switchboard, business support, systems administration and electronic document management).

- Learning Disability Services which provides services under a partnership agreement under Section 75 of the National Health Service Act 2006 between the authority and Brighton & Hove Primary Care Trust. It is a commissioning led service and delivers a range of services to residents of the city who have learning disabilities;

- Housing, Culture and Enterprise which provides the following services:
  - Tourism and Venues which markets and promotes the city as a visitor destination, contributing to the growth of the local visitor economy, jobs and the quality of life of residents. The division also provides services and builds strategies to help promote a strong city profile and sustainable economy;
  - Royal Pavilion and Museums which covers the strategic development and management of the Royal Pavilion, museums, art galleries and archives and the provision of cultural and learning services for the local community as well as national and international visitors;
  - Libraries and Information services which promote reading and enable lifelong learning through free access for everyone to books and information, with wide ranging cultural, historical and recreational materials in a variety of media;
  - Culture and Economy which covers economic regeneration across the city and working to create the right environment in which businesses within the city can thrive. The service also supports the authority and external partners to make successful international funding bids and is responsible for delivery of the authority's international strategy. It includes an arts and cultural projects service and also develops and delivers employment programmes for local residents and employers;
  - Major Projects and Regeneration which manages the implementation of key regeneration and infrastructure projects that contribute to the transformation of the city for all;
  - Housing (General Fund) which includes housing strategy and development, homelessness and housing needs, private sector services, housing support service, supporting people and the commissioning function of services for adults with learning disabilities.

- Strategy and Governance which provides the following services:
  - Legal and Democratic services which facilitates the achievement of the authority's objectives by managing and supporting the democratic decision making process and enabling member development, ensuring legality and probity in the discharge of authority functions, maintaining high standards of conduct among members and officers and ensuring an effective overview and scrutiny function;
  - Policy Unit which supports and advises the leadership of the authority on national, regional and local policy development and initiatives. It also develops the authority's approach to partnership working and sustainability;
  - Analysis and Performance which aims to pull together a variety of data sources from across the city to provide more intelligent, cross organisational information to support city wide and local commissioning;

- Communities and Equality which aims to tackle inequality by encouraging and supporting healthy communities to have a say in how services are provided. This service also explores and develops innovative new ways of commissioning and delivering local services;
- Executive Office which is the service of the Chief Executive and his support team;
- Human Resources which supports and develops the authority's managers and develops policy frameworks and approaches around all aspects of employment. It is also responsible for delivering the authority's improvement programme including performance management and learning and development and has responsibility for facilitating a safe and healthy workplace;
- Communications which protects and promotes the authority's reputation with the aim to connect the authority with its community, to reflect the diverse interests of the city and be in harmony with the place it serves.

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

- NHS Trust Managed S75 Services which covers the authority's costs for the section 75 partnership arrangements with the Brighton & Hove Primary Care Trust, the South Downs Health NHS Trust and the Sussex Partnership Foundation Trust for the provision of intermediate care, mental health, substance misuse and AIDs/HIV services to adults across the city.

- Housing Revenue Account (HRA) which includes the management and maintenance of council housing and provision of services to tenants. The service is also responsible for rent accounting, arrears, sheltered housing, community participation, anti-social behaviour, car parking, right to buy and leasehold issues, and the estates service.

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

Department Income and Expenditure Analysis

2010/11	Children & Young People's Trust £'000	Adult Social Care £'000	Environ-ment £'000	Finance & Resources £'000	S75 Learning Disability Services £'000	Housing, Culture & Enterprise £'000	Strategy & Governance £'000	Centrally Managed Budgets £'000	NHS Trust Managed S75 Services £'000	Total (exc HRA) £'000	Housing Revenue Account (HRA) £'000	Total £'000
Employee expenses	160,815	16,993	30,750	20,430	9,313	18,767	13,794	2,973	5,134	**278,969**	8,638	**287,607**
Other service expenses	95,255	36,250	41,475	198,440	24,884	32,968	4,068	21,805	18,314	**473,459**	24,280	**497,739**
Total Expenditure	**256,070**	**53,243**	**72,225**	**218,870**	**34,197**	**51,735**	**17,862**	**24,778**	**23,448**	**752,428**	**32,918**	**785,346**
Fees, charges and other service income	(19,017)	(13,204)	(33,433)	(14,889)	(9,945)	(19,060)	(2,269)	(8,163)	(8,727)	**(128,707)**	(47,942)	**(176,649)**
Government grants	(185,851)	(1,656)	(3,801)	(183,751)	0	(4,974)	0	(24,459)	(522)	**(405,014)**	(37)	**(405,051)**
Total Income	**(204,868)**	**(14,860)**	**(37,234)**	**(198,640)**	**(9,945)**	**(24,034)**	**(2,269)**	**(32,622)**	**(9,249)**	**(533,721)**	**(47,979)**	**(581,700)**
Net Expenditure	**51,202**	**38,383**	**34,991**	**20,230**	**24,252**	**27,701**	**15,593**	**(7,844)**	**14,199**	**218,707**	**(15,061)**	**203,646**

Department Income and Expenditure Analysis

2009/10 Comparative Figures	Children & Young People's Trust £'000	Adult Social Care £'000	Environ-ment £'000	Finance & Resources £'000	S75 Learning Disability Services £'000	Housing, Culture & Enterprise £'000	Strategy & Governance £'000	Centrally Managed Budgets £'000	NHS Trust Managed S75 Services £'000	Total (exc HRA) £'000	Housing Revenue Account (HRA) £'000	Total £'000
Employee expenses	152,700	16,358	29,716	17,943	9,297	17,568	13,851	225	3,644	**261,302**	8,956	**270,258**
Other service expenses	93,261	36,942	39,636	190,526	24,169	31,554	3,978	22,596	31,498	**474,160**	23,785	**497,945**
Total Expenditure	**245,961**	**53,300**	**69,352**	**208,469**	**33,466**	**49,122**	**17,829**	**22,821**	**35,142**	**735,462**	**32,741**	**768,203**
Fees, charges and other service income	(28,453)	(13,271)	(32,589)	(14,812)	(9,712)	(19,031)	(2,973)	(9,268)	(22,204)	**(152,313)**	(47,744)	**(200,057)**
Government grants	(166,980)	(874)	(3,774)	(177,091)	0	(15,530)	(253)	(16,763)	(458)	**(381,723)**	0	**(381,723)**
Total Income	**(195,433)**	**(14,145)**	**(36,363)**	**(191,903)**	**(9,712)**	**(34,561)**	**(3,226)**	**(26,031)**	**(22,662)**	**(534,036)**	**(47,744)**	**(581,780)**
Net Expenditure	**50,528**	**39,155**	**32,989**	**16,566**	**23,754**	**14,561**	**14,603**	**(3,210)**	**12,480**	**201,426**	**(15,003)**	**186,423**

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

- Employee expenses include total salaries, employers' national insurance contributions, employers' pension contributions and indirect employee expenses including the adjustments required to adjust employee costs to a IAS 19 basis;
- Other service expenses include:
    - Premises expenses including all running costs, expenditure on goods, services and contractors directly related to property and land;
    - Transport expenses including all costs connected with the provision, hire or use of transport for employees and clients;
    - Supplies and services covering all direct supplies and services expenditure incurred;
    - Third party payments including, for example, payments to third party providers of local authority services (e.g. payments to government departments, voluntary associations, private contractors and other agencies);
    - Transfer payments including, for example, education awards paid to school pupils and students in further education, housing and council tax benefits;
    - Capital financing costs including interest payments and the costs of unsupported borrowing;
    - Internal recharge expenditure covering all recharges of expenditure and income internally within the authority.
- Fees, charges and other service income includes
    - Customer and client receipts including, for example rents and other fees and charges;
    - Other reimbursement grants and contributions including all grants received from non government bodies and other contributions received by the authority;
    - Interest receipts;
    - Internal recharge income covering all recharges of expenditure and income internally within the authority.
- Government grants covers all grants received from central government

Reconciliation of Department Income and Expenditure to the Cost of Services in the Comprehensive Income and Expenditure Statement

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

	2009/10 £'000	2010/11 £'000
Net expenditure in the directorate analysis	186,423	203,646
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the directorate analysis	(10,167)	193,832
Amounts included in the directorate analysis which fall outside the Cost of Services in the Comprehensive Income and Expenditure Statement	8,507	16,714
Cost of Services in the Comprehensive Income and Expenditure Statement	**184,763**	**414,192**

Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis							
2010/11	**Directorate Analysis £'000**	**Corporate Amounts Included in Directorate Analysis £'000**	**Amounts not Reported to Management for Decision Making £'000**	**Allocation of Recharges £'000**	**Cost of Services £'000**	**Corporate Amounts £'000**	**Total £'000**
Employee expenses	287,607	0	(81,815)	0	**205,792**	7,061	**212,853**
Other service expenses	480,136	0	12,310	0	**492,446**	0	**492,446**
Support service and management and administration recharges	0	3,627	55,929	(55,929)	**3,627**	(3,627)	**0**
Depreciation, amortisation and impairment of non current assets and movement in fair value of investment properties	0	0	265,650	0	**265,650**	5,470	**271,120**
Interest payments	17,402	(13,826)	0	0	**3,576**	13,826	**17,402**
Precepts and levies	201	(201)	0	0	**0**	234	**234**
Payments to Housing Capital Receipts Pool	0	0	0	0	**0**	1,207	**1,207**
Gain / loss on disposal of non current assets	66	(66)	0	0	**0**	594	**594**
Total Expenditure	**785,412**	**(10,466)**	**252,074**	**(55,929)**	**971,091**	**24,765**	**995,856**
Fees, charges and other service income	(169,551)	0	(58,242)	55,929	**(171,864)**	0	**(171,864)**
Interest and investment income	(7,164)	4,526	0	0	**(2,638)**	(4,527)	**(7,165)**
Income from council tax	0	0	0	0	**0**	(118,847)	**(118,847)**
Government grants	(405,051)	22,654	0	0	**(382,397)**	(186,122)	**(568,519)**
Total Income	**(581,766)**	**27,180**	**(58,242)**	**55,929**	**(556,899)**	**(309,496)**	**(866,395)**
Surplus / Deficit on the Provision of Services	**203,646**	**16,714**	**193,832**	**0**	**414,192**	**(284,731)**	**129,461**

Reconciliation to Subjective Analysis

2009/10 Comparative Figures	Directorate Analysis £'000	Corporate Amounts Included in Directorate Analysis £'000	Amounts not Reported to Management for Decision Making £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee expenses	270,258	0	1,592	0	**271,850**	10,972	**282,822**
Other service expenses	486,465	(14)	11,892	0	**498,343**	14	**498,357**
Support service and management and administration recharges	0	0	58,394	(58,394)	**0**	0	**0**
Depreciation, amortisation and impairment of non current assets and movement in fair value of investment properties	333	0	(23,667)	0	**(23,334)**	(2,778)	**(26,112)**
Interest payments	10,951	(10,951)	0	0	**0**	10,951	**10,951**
Precepts and levies	196	(196)	0	0	**0**	215	**215**
Payments to Housing Capital Receipts Pool	0	0	0	0	**0**	719	**719**
Gain / loss on disposal of non current assets	7	(7)	0	0	**0**	(721)	**(721)**
Total Expenditure	**768,210**	**(11,168)**	**48,211**	**(58,394)**	**746,859**	**19,372**	**766,231**
Fees, charges and other service income	(197,980)	3,175	(58,378)	58,394	**(194,789)**	(3,492)	**(198,281)**
Interest and investment income	(2,084)	2,084	0	0	**0**	(2,084)	**(2,084)**
Income from council tax	0	0	0	0	**0**	(115,569)	**(115,569)**
Government grants	(381,723)	14,416	0	0	**(367,307)**	(156,858)	**(524,165)**
Total Income	**(581,787)**	**19,675**	**(58,378)**	**58,394**	**(562,096)**	**(278,003)**	**(840,099)**
Surplus / Deficit on the Provision of Services	**186,423**	**8,507**	**(10,167)**	**0**	**184,763**	**(258,631)**	**(73,868)**

37 FINANCIAL ASSETS AND LIABILITIES – FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term			Current		
	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Investments						
Loans and receivables	2,627	0	0	30,659	9,535	13,103
Available for sale financial assets	0	0	0	24,069	33,487	43,890
Total Investments	**2,627**	**0**	**0**	**54,728**	**43,022**	**56,993**
Debtors						
Loans and receivables	639	642	430	0	0	0
Financial assets carried at contract amounts	10,028	12,652	0	61,874	39,729	49,157
Total Debtors	**10,667**	**13,294**	**430**	**61,874**	**39,729**	**49,157**
Borrowings						
Financial liabilities at amortised cost	(195,379)	(161,643)	(175,717)	(4,115)	(46,452)	(14,469)
Total Borrowings	**(195,379)**	**(161,643)**	**(175,717)**	**(4,115)**	**(46,452)**	**(14,469)**
Creditors						
Financial liabilities at amortised cost	0	0	0	0	0	0
Financial liabilities carried at contract amounts	0	0	0	(68,498)	(53,742)	(63,507)
Total Creditors	**0**	**0**	**0**	**(68,498)**	**(53,742)**	**(63,507)**

The above table includes cash equivalent and bank overdraft figures. Liabilities relating to PFI and finance leases are excluded from the above table as they are covered by more specific provisions about their recognition, measurement and disclosure. Details can be found in notes 23 and 22 respectively.

To counter the increased risk to rising interest rates, the authority entered into three forward borrowing deals totalling £30.0m. In February 2011, the first two of these deals totalling £20.0m became operational. During 2010/11 the authority repaid a one year loan totalling £15.0m and short-term loans totalling £24.7m.

The authority made a net repayment of £19.7m which was offset by a cash flow surplus of £33.6m; the impact being an increase in investments of circa £13.9m

Income, Expense, Gains and Losses

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

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

2009/10 Comparative Figures	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets Loans and Receivables £'000	Financial Assets Available for Sale Assets £'000	Totals £'000
Interest expense	8,368	0	0	8,368
Fee expense	105	9	38	152
Total expense in Surplus /Deficit on the Provision of Services	**8,473**	**9**	**38**	**8,520**
Interest income	0	(706)	(894)	(1,600)
Fee Income	0	0	0	0
Total income in Surplus /Deficit on the Provision of Services	**0**	**(706)**	**(894)**	**(1,600)**
Gains on revaluation	0	0	0	0
Losses on revaluation	0	0	67	67
Surplus / Deficit Arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	**0**	**0**	**67**	**67**
Gain on derecognition	(5)	0	0	(5)
Net (Gain) / Loss for the year	**8,468**	**(697)**	**(789)**	**6,982**

The authority has appointed external cash managers to administer part of the authority's investment portfolio. The manager invests in specialist markets such as gilts, certificates of deposit and other negotiable instruments. The loss on revaluation of £0.002m represents the price depreciation of investments not realised at 31 March 2011. The gain on revaluation of £0.015m represents the price appreciation of investments not realised as at 31 March 2011.

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

Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

Financial assets represented by loans and receivables, financial liabilities and long term debtors and creditors are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments using the following assumptions:

- for loans the premature repayment rates from the Public Works Loan Board (PWLB) have been applied to provide the fair value under PWLB debt redemption procedures;
- no early repayment or impairment is recognised;

- where an instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial liabilities

	1 April 2009		31 March 2010		31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Borrowing	(148,645)	(169,023)	(134,582)	(146,899)	(119,647)	(135,517)
Market Borrowing	(46,734)	(49,622)	(70,439)	(71,302)	(65,808)	(69,254)
Bank Overdraft	(3,780)	(3,780)	(2,739)	(2,739)	(4,731)	(4,731)
Other	(335)	(335)	(335)	(335)	0	0
Total Borrowing	**(199,494)**	**(222,760)**	**(208,095)**	**(221,275)**	**(190,186)**	**(209,502)**
Creditors	(68,498)	(68,498)	(53,742)	(53,742)	(63,507)	(63,507)
Total Financial Liabilities	**(267,992)**	**(291,258)**	**(261,837)**	**(275,017)**	**(253,693)**	**(273,009)**

The fair value of financial liabilities is greater than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

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

Financial Assets

	1 April 2009		31 March 2010		31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	33,286	33,413	9,535	9,535	13,103	13,103
Available for Sale	24,069	24,069	33,487	33,487	43,890	43,890
Debtors	51,846	51,846	52,381	52,381	49,157	49,157
Total Loans and Receivables	**109,201**	**109,328**	**95,403**	**95,403**	**106,150**	**106,150**

Please note the above table includes cash equivalents.

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

All financial assets are short term at 31st March 2011; therefore the fair value of investments is equal to the carrying amount.

Financial Instruments – Soft Loans

The authority will sometimes make loans at less than market rates known as soft loans, where a service objective would justify the authority making a concession. Examples include loans to lower-tier local authorities and voluntary organisations (to facilitate the authority's own responsibilities for service provision), to local businesses (to encourage economic development), or to employees (as part of a relocation package).

The authority has the following soft loans. These loans were not considered material for the purpose of calculating and adjusting for the fair value of the loan.

	2009/10 £'000	2010/11 £'000
Mortgage Advances	69	52
Improvement Loans	43	33
Loans to Housing Associations	141	0
Loans to Employees	139	118
Service Charge Loans to Leaseholders – Right to Buy	250	227
Total Soft Loans	**642**	**430**

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

The authority's activities expose it to a variety of financial risks. The key risks are:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority;
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments;
- refinancing risk – the possibility that the authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rate movements.

Overall procedures for managing risk

The authority's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise the losses resulting from this risk. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

Overall these procedures require the authority to manage risk in the following ways:

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

These procedures are required to be reported and approved at or before the authority's annual budget meeting at which the council tax is set. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the authority's financial instrument exposure. This strategy can be found on the authority's website. The strategy was approved at Cabinet on 11 March 2010. Actual performance is also reported annually to members.

The key issues within the strategy were:

- the Authorised Limit for 2010/11 was set at £302m. This is the maximum limit of external borrowings and other long term liabilities;
- the Operational Boundary was expected to be £278m. This is the expected level of debt and other long term liabilities during the year;
- the maximum amounts of fixed and variable interest rate exposure based on the authority's gross debt were set at 100% and 40% respectively.

These policies are implemented by the Director of Finance through a dedicated treasury management team. The authority maintains principles for overall risk management. The authority also maintains practices through Treasury Management Practices (TMPs); these practices cover specific areas such as interest rate risk, credit risk and the investment of surplus cash. The TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements set out in the authority's Annual Investment Strategy (AIS). Additional selection criteria are also applied before an investment is made. The AIS was approved at Full Council on 18 March 2010 and a copy of the strategy can be found on the authority's website.

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

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

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

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

	Amount at 31 March 2011 £'000	Historical Experience of Default	Adjustment for Market Conditions at 31 March 2011	Estimated Maximum Exposure to Default £'000
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	40,868	0.00%	0.00%	0
AA rated counterparties	6,216	0.03%	0.03%	2
A rated counterparties	9,900	0.08%	0.08%	8
Debtors	49,517	6.57%	6.57%	3,279
Total	**106,501**			**3,289**

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

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

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

Liquidity Risk

The authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to local authorities (although it will not provide funding to a local authority whose action is unlawful). The authority is also required to provide a balanced budget, under the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Therefore there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

Refinancing and Maturity Risk

The authority maintains a significant debt and investment portfolio. Whilst the cash flow management procedures mentioned above are applied for short term liquidity risk, the refinancing and maturity risk relates to the management of the authority's exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for (a) the maturity structure of debt and (b) investments made for a period greater than one year are the two key parameters used to address this risk. The authority's approved treasury and investment strategies address the main risks and the treasury management team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the authority's day to day cash flow needs, and that the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Less than 1 year	(336)	(40,194)	(6,000)
Between 1 and 2 years	0	(6,000)	0
Between 2 and 5 years	(6,000)	0	0
Between 5 and 10 years	(2,023)	(4,092)	(5,456)
Between 10 and 15 years	(16,661)	(40,127)	(38,763)
More than 15 years	(171,211)	(115,527)	(135,527)
Total	**(196,231)**	**(205,940)**	**(185,746)**

The maturity analysis of financial assets is as follows:

	1 April 2009 £'000	31 March 2010 £'000	31 March 2010 £'000
Less than 1 year	53,893	42,885	56,984
More than 1 year	2,500	0	0
Total	**56,393**	**42,885**	**56,984**

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

Market Risk

a) Interest rate risk

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

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

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

At 31 March 2011 the authority had no borrowings or investments subject to variable interest rates. A 1% rise in interest rates would therefore have no impact on the interest expense debited, or interest income credited, to the Surplus / Deficit on the Provision of Services. The impact of a 1% rise in interest rates on fair value would be a decrease of £28.482m for borrowings and no impact on the fair value of investments, as investments are all for less than one year.

A 1% fall in interest rates would have an opposite impact with an increase in fair value of borrowings of £37.767m and no impact on the fair value of investments, as investments are all for less than one year.

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

b) Price risk

The authority does not invest in equity shares.

c) Foreign exchange risk

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

38 DEBTORS

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

Short Term Debtors			
	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Central government bodies	15,587	15,139	12,032
Other local authorities	1,410	1,925	16,423
NHS bodies	842	4,259	1,949
Public corporations and trading funds	0	0	5
Other entities and individuals	30,332	27,694	24,825
Total Short Term Debtors	**48,171**	**49,017**	**55,234**

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

Long Term Debtors			
	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Mortgages – Sold Council Properties	75	66	50
Mortgages – Other	8	3	2
Improvement Loans	44	43	33
Housing Association Loans	142	141	0
Car Loans	118	139	118
Deferred Debtors	252	250	227
Finance Lease	6,061	6,047	6,054
PFI Prepayments	10,028	12,652	0
Total Long Term Debtors	**16,728**	**19,341**	**6,484**

As the energy recovery facility in respect of the waste PFI is expected to become operational in 2011, the PFI prepayment disclosed under long term debtors in 2009/10 has been reclassified in total to short term debtors and is included within the Other local authorities line (£15.476m).

39 CREDITORS

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

Short Term Creditors			
	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Central government bodies	(11,753)	(10,619)	(12,659)
Other local authorities	(8,351)	(7,880)	(8,019)
NHS bodies	(247)	(888)	(1,090)
Public corporations and trading funds	(146)	(122)	(188)
Other entities and individuals	(52,225)	(38,674)	(46,614)
Total Short Term Creditors	**(72,722)**	**(58,183)**	**(68,570)**

40 INVENTORIES

The following table shows the total carrying amount of inventories at the beginning and end of the reporting period and the movement in year:

Analysis of Movement in Inventories							
	Balance at 1 April 2009 £'000	Purchases £'000	Recognised as an Expense in Year £'000	Balance at 31 March 2010 £'000	Purchases £'000	Recognised as an Expense in Year £'000	Balance at 31 March 2011 £'000
Materials consumed in the production process	**23**	94	(93)	**24**	119	(117)	**26**
Materials / Supplies consumed or distributed in the rendering of services	**393**	1,156	(1,137)	**412**	1,167	(1,283)	**296**
Inventories held for sale or distribution in the ordinary course of operations	**558**	681	(728)	**511**	602	(587)	**526**
Inventories in the process of production for sale or distribution	**7**	23	(23)	**7**	29	(31)	**5**
Totals	**981**	**1,954**	**(1,981)**	**954**	**1,917**	**(2,018)**	**853**

41 ON STREET PARKING SURPLUS

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

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

On Street Parking Surplus		
	2009/10 £'000	2010/11 £'000
On Street Parking Operation Surplus	**(7,641)**	**(9,793)**
Utilised to Fund:		
Public Transport	8,395	8,287
Borrowing Costs for Transport Capital Expenditure	3,264	3,327
Total Qualifying Expenditure	**11,659**	**11,614**

42 PUBLICITY

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

Publicity		
	2009/10 £	2010/11 £
Recruitment Advertising	538,200	520,881
Housing Issues - General Fund	21,003	4,148
Housing Issues - HRA	16,152	8,197
Public Transport Issues	74,122	76,464
Projects & Venues	288,758	164,917
Tourism	235,290	132,203
Children Social Care	59,751	47,803
Waste Collection (including changing collection rounds, kerbside collection / recycling)	75,290	104,705
Other Publicity and Marketing	425,468	332,643
Total	**1,734,034**	**1,391,961**

43 LANDFILL ALLOWANCE TRADING SCHEME (LATS)

In order to reduce the amount of biodegradable waste (for example, kitchen and garden waste, paper and card) going to landfill, the government has issued tradable landfill allowances to waste disposal authorities to allow them to landfill a reducing number of tonnes for each year from 2005/06 to 2019/20. During 2010/11, DEFRA announced that they are uncertain as to whether the landfill allowance trading scheme would continue, and has indicated that 2012/13 is likely to be the final year of the scheme.

The allowances are reflected at fair value and are subsequently revalued each financial year. The fair value of the asset can be reliably measured by using evidence of the market value of the same or similar assets. The authority has valued the allowances for 2010/11 at £10.60 each based on trading activities between local authorities during 2010/11. The authority's allocation for 2010/11 was 39,963 tonnes, valued at £0.42m. An estimated 38,152 tonnes were actually landfilled (£0.40m), leaving 1,811 (£0.20m) surplus allowances in 2010/11. These surplus permits can be carried forward to be used in 2011/12. Additionally, the authority is able to trade these surplus permits with other local authorities. Authorities which landfill more than their permitted allowance can either purchase additional allowances from other waste disposal authorities or pay to the government a financial penalty of £150 per tonne.

44 TRUST FUNDS

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

Capital Market Value £'000	Net Current Assets £'000	Trust Fund	Revenue Balance 01 April 2010 £'000	2010/11 Expenditure £'000	2010/11 Income £'000	Revenue Balance 31 March 2011 £'000
		Brighton Fund				
1048	62	Gifts to the aged poor	(91)	72	(43)	(62)
		Gorham's Gift				
591	32	Distribution and expenses	(19)	51	(52)	(20)
2,605	0	Land and Buildings	0	0	0	0
		Hedgecock Bequest				
575	102	Grants to Charity	(13)	19	(25)	(19)
		Oliver & Johannah Brown				
246	52	Education	(44)	16	(11)	(39)
		Other Trusts				
243	101	Education	(100)	12	(11)	(99)
110	42	Music Trust	(96)	69	(15)	(42)
160	181	Various	(150)	1	(8)	(157)
92	504	**Friends of the Royal Pavilion**	(496)	56	(64)	(504)
5,670	**1,076**	**Total**	**(1,009)**	**296**	**(229)**	**(942)**

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 2011. Net current assets equals cash plus investments in the authority.

The authority acts as the sole trustee in respect of all funds listed with the exceptions of Gorham's Gift and the Friends of the Royal Pavilion.

Brighton Fund

The objectives of the Brighton Fund are to help the relief of persons in the Brighton & 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. Land and buildings for Gorham's Gift are shown at the market valuation at July 2009.

Hedgecock Bequest

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

Oliver and Johannah Fund

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

Education Trust

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

Music Trust

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

Friends of the Royal Pavilion

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

Brighton & Hove City Council

Single Entity Supplementary Statements 2010/11

Housing Revenue Account Income and Expenditure Statement

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

Year Ended 31 March 2010 £'000		Year Ended 31 March 2011 £'000
	Expenditure	
12,966	Repairs and maintenance	10,688
13,797	Supervision and management	14,363
274	Rents, rates, taxes and other charges	266
2,886	Negative Housing Revenue Account subsidy payable	3,430
(76,395)	Depreciation and impairment of non current assets	217,538
42	Debt management costs	41
0	Revenue expenditure funded from capital under statute	1,644
176	Movement in allowance for bad debts	158
(46,254)	**Total Expenditure**	**248,128**
	Income	
(41,171)	Dwelling rents	(41,632)
(1,214)	Non dwelling rents	(1,197)
(3,804)	Charges for services and facilities	(4,377)
0	Contributions towards expenditure	(35)
(46,189)	**Total Income**	**(47,241)**
(92,443)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**200,887**
222	HRA share of corporate and democratic core	222
(92,221)	**Net Cost of HRA Services**	**201,109**
	HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement	
(440)	Gain / Loss on sale of HRA non current assets	(674)
(17)	Changes in the fair value of investment properties	0
(13)	Investment property income and expenditure	(14)
3,260	Interest payable and similar charges	3,103
(135)	HRA interest and investment income	(42)
493	Pensions interest cost and expected return on pensions assets	299
(89,073)	**(Surplus) or Deficit for the year on HRA Services**	**203,781**

Movement on the Housing Revenue Account Statement

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

2009/10 £'000		2010/11 £'000
(3,902)	**Balance on the HRA as at the end of the previous reporting period**	**(3,623)**
(89,073)	(Surplus) / Deficit on the HRA Income and Expenditure Statement	203,781
89,684	Adjustments between accounting basis and funding basis under regulations	(205,782)
611	**Net (increase) / decrease before transfers to or from reserves**	**(2,001)**
(228)	Transfers (to) / from HRA earmarked reserves	666
(104)	Transfers (to) / from GF earmarked reserves	(42)
0	Contribution from HRA balance to fund capital expenditure	300
279	**(Increase) / decrease in year on the HRA**	**(1,077)**
(3,623)	**Balance on the HRA as at end of current reporting period**	**(4,700)**

Notes to the Housing Revenue Account (HRA) Financial Statements

1 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2009/10 £'000		2010/11 £'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT		
(926)	Charges for impairment of non current assets	(209,042)
90,359	Upward revaluation reversing a previous revaluation loss on housing stock	0
0	Revenue expenditure funded from capital under statute	(1,644)
(538)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the HRA Income and Expenditure Statement	(948)
17	Write out of Revaluation Reserve for Investment Properties	0
3,390	Capital Expenditure charged to the Housing Revenue Account	3,426
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE		
986	Transfer of sale proceeds credited as part of the gain/loss on disposal to the HRA Income and Expenditure Statement	1,635
(8)	Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(13)
ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE		
9,352	Reversal of Major Repairs Allowance credited to the HRA	9,506
(13,038)	Use of the Major Repairs Reserve to finance new capital expenditure	(8,496)
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT		
273	Amount by which Finance Costs calculated in accordance with the Code are different from the amount of Finance Costs calculated in accordance with statutory requirements	336
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT		
19	Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(48)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE		
(1,034)	Reversal of items relating to retirement benefits debited or credited to the HRA Income and Expenditure Statement	(1,303)
832	Employer's pensions contributions and direct payments to pensioners payable in the year	809
89,684	**Total**	**(205,782)**

2 TRANSFERS TO / FROM EARMARKED RESERVES

In 2010/11, £0.666m was transferred from the HRA balance to fund HRA earmarked reserves (£0.228m in 2009/10); the remaining transfer of £0.234m in respect of the estates development reserve came from the HRA capital earmarked reserve. The following table shows an analysis of the amounts held in HRA earmarked reserves and the amounts set aside in year and the amounts posted back from earmarked reserves to meet expenditure in 2010/11:

	Balance at 1 April 2009 £'000	Transfers From 2009/10 £'000	Transfers To 2009/10 £'000	Balance at 31 March 2010 £'000	Transfers From 2010/11 £'000	Transfers To 2010/11 £'000	Balance at 31 March 2011 £'000
Capital Reserves	(6,161)	2,801	0	(3,360)	1,922	(63)	(1,501)
HRA Auto Meter Readers Reserve	0	0	0	0	0	(348)	(348)
Estates Development Budget Reserve	0	0	0	0	0	(234)	(234)
Revenue Grant Carry Forwards	0	0	0	0	0	(27)	(27)
Restructure Redundancy Reserve	(388)	304	(76)	(160)	0	(228)	(388)
Total	**(6,549)**	**3,105**	**(76)**	**(3,520)**	**1,922**	**(900)**	**(2,498)**

3 HOUSING STOCK

The authority was responsible for managing 12,283 dwellings at 31 March 2011(12,304 at 31 March 2010). The following table shows the make up of the housing stock:

	0 Bed	1 Bed	2 Bed	3 Bed	4+ Bed	Total
2010/11						
Bedsits	814	0	0	0	0	814
Bungalows	26	176	31	22	1	256
Flats	0	3,556	3,007	205	0	6,768
Houses	0	13	1,563	2,437	261	4,274
Maisonettes	0	0	102	63	6	171
Total	**840**	**3,745**	**4,703**	**2,727**	**268**	**12,283**
2009/10						
Bedsits	823	0	0	0	0	823
Bungalows	26	173	34	22	1	256
Flats	0	3,562	3,008	206	0	6,776
Houses	0	12	1,572	2,432	261	4,277
Maisonettes	0	0	103	63	6	172
Total	**849**	**3,747**	**4,717**	**2,723**	**268**	**12,304**

The following table summarises the change in housing stock:

	2009/10 £'000	2010/11 £'000
Stock at 1 April	12,315	12,304
Sales	(10)	(16)
Conversions	(1)	(5)
Stock at 31 March	**12,304**	**12,283**

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

2010/11	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Assets Under Construction £'000	Total PPE £'000	Investment Properties £'000	Intangible Assets £'000	Total £'000
Balance at 1 April 2010								
Gross carrying amount	797,419	14,145	630	0	**812,194**	168	162	**812,524**
Accumulated depreciation	(12,815)	(358)	(536)	0	**(13,709)**	0	(21)	**(13,730)**
Net Carrying Amount at 1 April 2010	**784,604**	**13,787**	**94**	**0**	**798,485**	**168**	**141**	**798,794**
Capital Additions								
Additions	17,170	46	0	49	**17,265**	0	110	**17,375**
Asset Disposals								
Derecognition - disposals	(948)	0	0	0	**(948)**	0	0	**(948)**
Derecognition - disposals (depreciation)	0	0	0	0	**0**	0	0	**0**
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement								
Revaluation increases	0	1,204	0	0	**1,204**	0	0	**1,204**
Revaluation re disposed assets	16	0	0	0	**16**	0	0	**16**
Depreciation written out	0	91	0	0	**91**	0	0	**91**
Impairment reversals	0	0	0	0	**0**	0	0	**0**
Depreciation and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure								
Revaluation increases	0	0	0	0	**0**	0	0	**0**
Depreciation charge	(8,174)	(244)	(46)	0	**(8,464)**	0	(32)	**(8,496)**
Reversal of previous year's depreciation	12,799	130	0	0	**12,929**	0	0	**12,929**
Impairment (losses) / reversals	(222,077)	(10)	0	0	**(222,087)**	0	0	**(222,087)**
Other Transactions								
Other movements in gross carrying amount	(1,819)	0	0	1,819	**0**	0	0	**0**
Other movements in depreciation	0	116	0	0	**116**	0	0	**116**
Net Carrying Amount at 31 March 2011	**581,571**	**15,120**	**48**	**1,868**	**598,607**	**168**	**219**	**598,994**
Comprising								
Gross carrying amount	589,745	15,515	630	1,868	**607,758**	168	272	**608,198**
Accumulated depreciation	(8,174)	(395)	(582)	0	**(9,151)**	0	(53)	**(9,204)**
Net Carrying Amount at 31 March 2011	**581,571**	**15,120**	**48**	**1,868**	**598,607**	**168**	**219**	**598,994**

2009/10 Comparative Figures	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Assets Under Construction £'000	Total PPE £'000	Investment Properties £'000	Intangible Assets £'000	Total £'000
Balance at 1 April 2009								
Gross carrying amount	704,102	14,050	630	0	**718,782**	151	84	**719,017**
Accumulated depreciation	(12,533)		(493)	0	**(13,026)**	0	(3)	**(13,029)**
Net Carrying Amount at 1 April 2009	**691,569**	**14,050**	**137**	**0**	**705,756**	**151**	**81**	**705,988**
Capital Additions								
Additions	16,578	167	0	0	**16,745**	0	78	**16,823**
Asset Disposals								
Derecognition - disposals	(538)	0	0	0	**(538)**	0	0	**(538)**
Derecognition - disposals (depreciation)	9	0	0	0	**9**	0	0	**9**
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement								
Revaluation increases	0	56	0	0	**56**	17	0	**73**
Revaluation re disposed assets	0	0	0	0	**0**	0	0	**0**
Depreciation written out	0	0	0	0	**0**	0	0	**0**
Impairment reversals	0	143	0	0	**143**	0	0	**143**
Depreciation and Impairment Transactions charged to the Surplus / Deficit on HRA Services within the HRA Income and Expenditure Statement								
Revaluation increases	77,277	(131)	0	0	**77,146**	0	0	**77,146**
Depreciation charge	(12,815)	(163)	(43)	0	**(13,021)**	0	(17)	**(13,038)**
Reversal of previous year's depreciation	12,524	0	0	0	**12,524**	0	0	**12,524**
Impairment (losses) / reversals	0	(306)	0	0	**(306)**	69	0	**(237)**
Other Transactions								
Other movements in gross carrying amount	0	(166)	0	0	**(166)**	(69)	0	**(235)**
Other movements in depreciation	0	137	0	0	**137**	0	(1)	**136**
Net Carrying Amount at 31 March 2010	**784,604**	**13,787**	**94**	**0**	**798,485**	**168**	**141**	**798,794**
Comprising								
Gross carrying amount	797,419	14,145	630	0	**812,194**	168	162	**812,524**
Accumulated depreciation	(12,815)	(358)	(536)	0	**(13,709)**	0	(21)	**(13,730)**
Net Carrying Amount at 31 March 2010	**784,604**	**13,787**	**94**	**0**	**798,485**	**168**	**141**	**798,794**

The vacant possession value for the dwellings in the HRA at 1st April 2010 was £1,591.9m as valued by the valuer, Wilks Head & Eve, compared with the value of £577.9m for its existing use as social housing. The difference of £1,014m represents the cost to the government of providing council housing at less than open market rents.

4 MAJOR REPAIRS RESERVE

The following table analyses the movements on the Major Repairs Reserve:

	2009/10 £'000	2010/11 £'000
Balance at 1 April	**0**	**0**
Depreciation on Housing Stock	(12,815)	(8,174)
Depreciation on Other HRA Property	(223)	(322)
Total	**(13,038)**	**(8,496)**
Contributions to Capital Expenditure on Housing Stock (Major Repairs Allowance)	9,352	9,506
Appropriation to the HRA (Depreciation in excess of Major Repairs Allowance on Housing Stock)	3,463	(1,332)
Appropriation to the HRA (Depreciation on Other HRA Property)	223	322
Balance at 31 March	**0**	**0**

5 HRA CAPITAL EXPENDITURE AND FINANCING

The following table summarises the capital expenditure incurred and how it was financed:

	Land, Houses and Other Property £'000	ICT Equipment £'000	2009/10 Total £'000	Land, Houses and Other Property £'000	ICT Equipment £'000	2010/11 Total £'000
Capital Expenditure	16,745	78	16,823	17,265	110	17,375
Total Capital Expenditure	**16,745**	**78**	**16,823**	**17,265**	**110**	**17,375**
Funded by:						
Borrowing	4,001	78	4,079	3,983	110	4,093
Major Repairs Reserve	9,353	0	9,353	9,506	0	9,506
Revenue contributions	3,391	0	3,391	3,426	0	3,426
Contribution from Reserves	0	0	0	350	0	350
Total Funding	**16,745**	**78**	**16,823**	**17,265**	**110**	**17,375**

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

	2009/10 £'000	2010/11 £'000
Right to Buy Sales of Houses and Flats	945	1,599
Mortgages Repayments	8	16
Discount Repayments	41	36
Total	**994**	**1,651**

6 DEPRECIATION AND AMORTISATION CHARGES

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

In 2010/11 the depreciation charged on HRA assets was £8.496m (£12.996m 2009/10). The charge for depreciation of £8.174m relating to the housing stock is funded from the Major Repairs Allowance; in 2010/11this allowance was £9.506m. The difference of £1.332m between the depreciation charge and the major repairs allowance is appropriated from the Major Repairs Reserve. The charge of £0.322m relating to other property is appropriated to the Major Repairs Reserve.

The following table shows the depreciation charged on HRA assets:

	2009/10 £'000	2010/11 £'000
Intangible Assets		
ICT Software	17	32
Property, Plant and Equipment		
Council Dwellings	12,815	8,174
Other Land and Buildings	163	244
Vehicles, Plant, Furniture and Equipment	43	46
Total Depreciation	**13,038**	**8,496**

7 IMPAIRMENT

During 2010/11, the valuer, Wilks Head and Eve, assessed that there should be a reduction in value for some council dwellings resulting in an impairment of £222.077m; this is due to a decrease in Social Housing Adjustment Factor from 45% to 32% and is in accordance with guidelines issued by Communities and Local Government. As this revaluation adjustment is targeted to only those assets that are affected by the factor adjustment, this revaluation adjustment has been accounted for as an impairment loss charged to the HRA Income and Expenditure Statement.

The impairment loss of £0.010m on Other Land and Buildings relates to the values for garages and car parking spaces. This impairment has been charged to the HRA Income and Expenditure Statement.

The amount of impairment charged to the HRA Income and Expenditure Statement includes (£12.929m) in respect of the reversal of the previous years impairments on housing stock, garages and car parks. The total amount charged to the HRA Income and Expenditure Statement is reversed out in the Movement on the Housing Revenue Account Statement as no consumption of economic benefits has occurred.

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

	2009/10 £'000	2010/11 £'000
Reduction in value of Council Dwellings	274	222,077
Reduction in value of Investment Property	61	0
Reduction in value Other Land and Buildings	100	10
Write out of Non Current Assets	491	0
Total Impairments	**926**	**222,087**

8 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

The authority charged £1.644m of revenue expenditure funded from capital under statute to the HRA Income and Expenditure Statement; this related to capital expenditure incurred by the authority on an asset it does not own. This was reversed out in the Movement on the HRA Statement to Capital Adjustment Account so that there was no impact on the HRA balance.

9 HRA SHARE OF CONTRIBUTIONS TO THE PENSIONS RESERVE

In accordance with IAS 19 the HRA Income and Expenditure Statement includes £0.494m, for its share of the contribution from the Pensions Reserve. The costs calculated by the pensions' actuary include current service cost, interest on pension liability, and expected return on assets. The HRA share is calculated by apportioning costs based on employers contributions charged to the HRA for the year. In accordance with proper accounting practice, the contribution is then removed by crediting the Movement on the Housing Revenue Account Statement to ensure the HRA is only charged with pension fund contributions payable for the year.

10 HRA SUBSIDY PAYABLE

The authority's HRA is part of the national housing subsidy system through which council housing rents are standardised across the country. The national programme redistributes resources between authorities.

The subsidy system uses a national formula to set guideline rents for each property together with allowances for management, maintenance and capital charges. It is a complex system which can result in a cost to the authority if it enters into negative subsidy.

The authority entered into negative subsidy in 2008/09 and remained in negative subsidy for 2009/10 and 2010/11. The amount of subsidy paid in 2010/11 was £3.430m.

HRA Subsidy Elements	2009/10 £'000	2010/11 £'000
Income		
Rental Income (Notional)	(40,233)	(41,367)
Interest on Receipts	(4)	(3)
Total Housing Element Income	**(40,237)**	**(41,370)**
Expenditure		
Repairs, Maintenance and Management (Notional)	22,910	23,493
Major Repairs Allowance	9,352	9,506
Charges for Capital	5,089	4,941
Total Housing Element Expenditure	**37,351**	**37,940**

Summary	2009/10 £'000	2010/11 £'000
Housing Element Income	(40,237)	(41,370)
Housing Element Expenditure	37,351	37,940
Total HRA Subsidy Payable	**(2,886)**	**(3,430)**

11 RENT ARREARS

At 31 March 2011, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £1,236,857 (2010 £1,627,097). This represents a reduction in arrears as a proportion of gross rental income from 3.87% to 2.91%.

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

	2009/10 £'000	2010/11 £'000
Impairment at 1 April	**1,470**	**1,340**
Change in Impairment charged to the HRA	176	158
Rent Arrears and other Bad Debts written off	(306)	(389)
Impairment for Bad Debts at 31 March	**1,340**	**1,109**

Collection Fund Statement

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

Year Ended 31 March 2010		Year Ended 31 March 2011	
£'000		£'000	£'000
	Amounts required by statute to be credited to the Collection Fund		
(113,211)	Council Tax		(116,256)
	Transfers from General Fund		
(23,878)	- Council Tax Benefits	(24,828)	
(115)	- Transitional Relief	(91)	
(23,993)			(24,919)
(89,179)	Income Collectable from Business Ratepayers		(91,178)
	Contributions		
(2,950)	- Towards previous year's Collection Fund Deficit		0
(229,333)	**Total Amount required by statute to be credited to the Collection Fund**		**(232,353)**
	Amounts required by statute to be debited to the Collection Fund		
	Precepts and Demands from Major Preceptors and the Authority		
113,975	- Brighton & Hove City Council	119,346	
12,464	- Sussex Police Authority	13,082	
7,408	- East Sussex Fire Authority	7,737	
133,847			140,165
	Business Rates		
88,865	- Payment to National Pool	90,842	
430	- Costs of Collection	427	
89,295			91,269
	Impairment of Debts/Appeals		
939	- Write offs of Uncollectable Amounts	849	
430	- Allowance for Impairment	656	
1,369			1,505
	Contribution		
0	- Towards previous year's estimated Collection Fund Surplus		2,685
224,511	**Total Amount required by statute to be debited to the Collection Fund**		**235,624**
(4,822)	**Movement on Fund Balance**		**3,271**

Notes to the Collection Fund Statement

1 COUNCIL TAX

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

Band	Estimated no. of Chargeable Dwellings	Estimated no. of Chargeable Dwellings after Discounts	Band Ratio	Band D Equivalent Dwellings
Band A*	8	7	5/9	3.89
Band A	24,446	20,829.65	6/9	13,886.43
Band B	26,740	23,662.65	7/9	18,404.28
Band C	30,947	28,306.85	8/9	25,161.64
Band D	18,088	16,768.95	9/9	16,768.95
Band E	10,568	9,877.30	11/9	12,072.26
Band F	4,286	4,041.35	13/9	5,837.51
Band G	2,510	2,372.10	15/9	3,953.50
Band H	135	123.65	18/9	247.30
				96,335.76
Less provision for losses in collection				(1,824.71)
Tax Base For 2010/11				**94,511.05**
Tax Base For 2009/10				**92,511.63**

* Entitled to disabled relief reduction

The estimated gross council tax yield (before the provision for losses in collection) for 2010/11 of £142.871m was based on Band D equivalent dwellings of 96,335.76 multiplied by the average Band D council tax charge of £1,483.05. The actual gross council tax yield for 2010/11 of £141.902m is equivalent to a decrease of 653 Band D dwellings. The estimated and actual tax base figures will vary due to a number of factors; these include the effects of banding appeals, new properties and entitlements to exemptions and discounts. The main reason for the increase this year is higher than anticipated entitlements to exemptions and discounts.

2 NATIONAL NON DOMESTIC RATES (NNDR)

The authority is responsible for collecting non domestic rates (NNDR) in Brighton & Hove. The NNDR is charged on the basis of the rateable value for business premises multiplied by a national non domestic multiplier. The total non domestic rateable value at 31 March 2011 was £266.504m (£218.756m at 31 March 2010). The non-domestic multiplier for 2010/11 was 41.4p and the small business non domestic multiplier was 40.7p. The NNDR charge, less transitional relief, empty property relief, charity relief and successful appeals against the rateable value, is paid into a national pool for redistribution by central government. The amount payable to the national pool for 2010/11 is £90.842m (£88.865m for 2009/10). The authority received £95.340m in 2010/11 (£87.416m in 2009/10) from the national non domestic rate pool.

3 PRECEPTING AUTHORITIES

The major authorities precepting on the Collection Fund in 2010/11 and their respective amounts were:

	2009/10 £	2010/11 £
Brighton & Hove City Council	113,975,478	119,346,103
Sussex Police Authority	12,464,092	13,082,220
East Sussex Fire Authority	7,408,331	7,736,674

The Brighton & Hove City Council precept includes £27,000 for Rottingdean Parish Council (£27,000 in 2009/10).

Brighton & Hove City Council

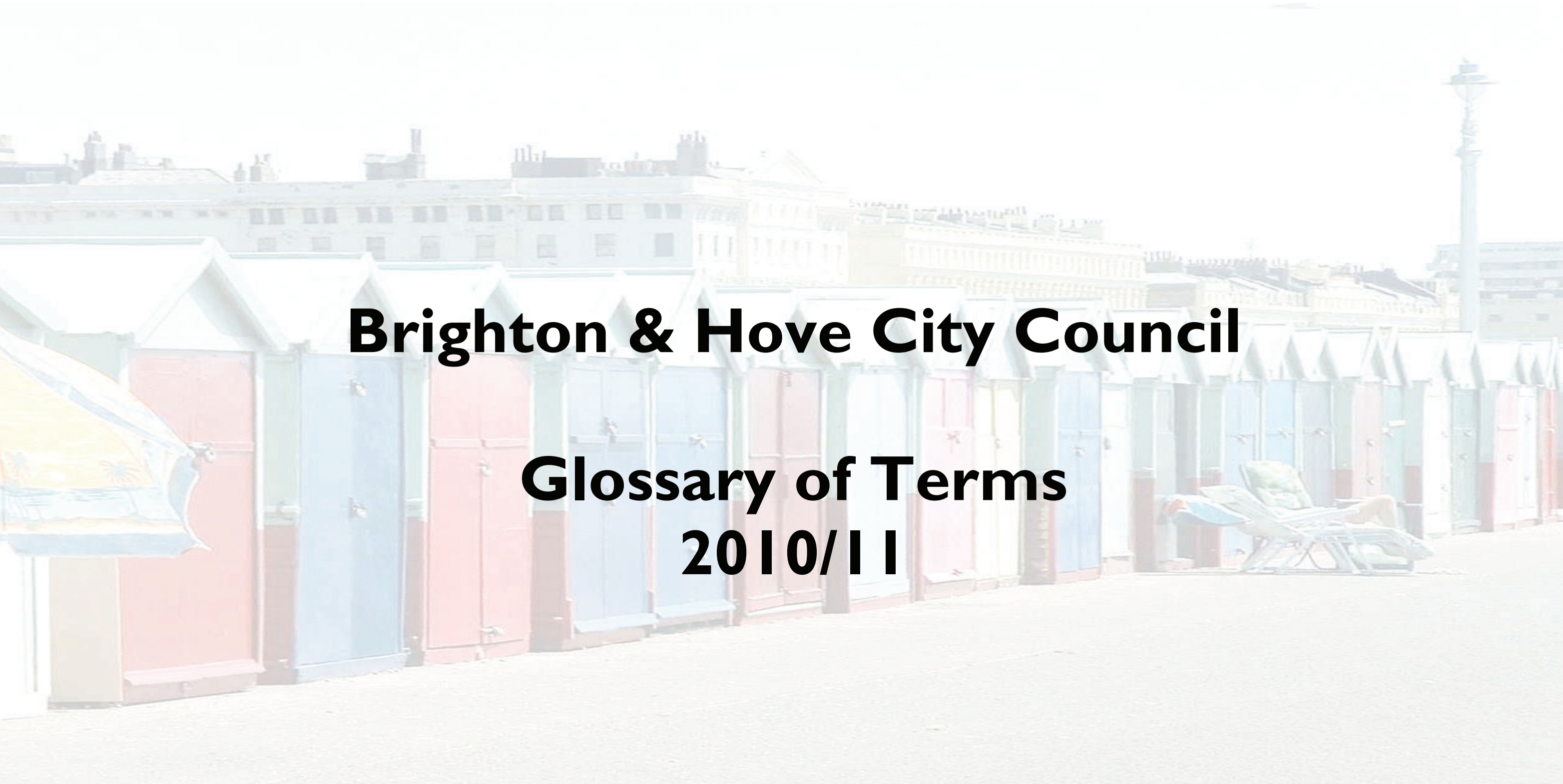
Annual Governance Statement 2010/11

Annual Governance Statement for the year ended 31 March 2011

Brighton & Hove City Council

Independent Auditor's Report 2010/11

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



Brighton & Hove City Council

Glossary of Terms
2010/11

Glossary

Accounting Policies

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

Accruals Basis

The accruals basis is the recognition of items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the reporting period in which those effects are experienced and not in the period in which any cash is received or paid.

Actuarial Gains and Losses

Actuarial gains and losses comprise:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and
- the effects of changes in actuarial assumptions.

Amortisation

Amortisation is the systematic allocation of the amortised amount of an intangible asset over its useful amount

Amortised Cost of a Financial Asset or Financial Liability

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method (i.e. a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period) of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Area Based Grant

Area based grant is a non ring fenced general grant allocated directly to the authority. It is allocated according to specific policy criteria rather than general formulae. The authority is free to use all of this non-ring fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

Asset

An asset is a resource controlled by the authority as a result of past events and from which future economic or service potential is expected flow to the authority

Assets Held for Sale

An asset held for sale is a non current asset that meets the following criteria:

- Is the asset (or disposal group) available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- Is the sale highly probable; is the appropriate level of management committed to a plan to sell the asset and has an active programme to locate a buyer and complete the plan been initiated;
- Is the asset (or disposal group) being actively marketed for a sale at a price that is reasonable in relation to its current fair value;
- Is the sale expected to qualify for recognition as a completed sale within one year of the date of classification and does action required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Audit of Financial Statements

An audit is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Available for Sale Financial Asset

An available for sale financial assets is a non derivative financial asset that is not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss

Available for Sale Financial Instruments Reserve

The available for sale financial instruments reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets;

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the authority as at the Balance Sheet date.

Benefits Payable during Employment

Benefits payable during employment covers:

- Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- Benefits earned by current employees but payable 12 months or more after the end of the reporting period, such as long-service leave or jubilee payments and long-term disability benefits.

Budget

A budget expresses the authority's service delivery plans and capital programmes in monetary terms

Building Schools for the Future Reserve

The building schools for the future reserve is used to contribute towards the costs of the Building Schools for the Future programme.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Capital Expenditure

Capital expenditure is expenditure on the acquisition of an asset that will be used to provide services beyond the reporting period or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing Requirement

The capital financing requirement is the capital investment funded from borrowing which has yet to be repaid

Capital Programme

The capital programme is a financial summary of the capital projects that the authority intends to carry out over a specified time

Capital Receipt

A capital receipt is the proceeds from the sale of an asset. The government prescribes the amount of the receipt which must be set aside to repay debt and the usable amount which may be utilised to finance capital expenditure

Capital Reserves

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

Carrying Amount

The carrying amount is the amount at which an asset is recognised in the Balance Sheet after deducting any accumulated depreciation and accumulated impairment losses.

Cash

Cash comprises cash on hand and demand deposits.

Cash Equivalents

Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are the Inflows and outflows of cash and cash equivalents.

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the authority during the reporting period

Collection Fund

The Collection Fund is a separate fund recording the expenditure and income relating to Council Tax and National Non Domestic Rates are paid into this fund. The authority uses this money to pay its precepts to Sussex Police Authority and the East Sussex Fire Authority, and the demand by the authority's General Fund, which finances the authority's day to day expenditure.

Collection Fund Adjustment Account

The collection fund adjustment account is used specifically to manage the accounting processes for Council Tax.

Community Assets

Community assets are assets that the authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement

The comprehensive income and expenditure statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation

Contingent Asset

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority

Contingent Liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Cost

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

Costs to Sell

Costs to sell are the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs

Creditors

Creditors are financial liabilities arising from the contractual obligation to pay cash in the future for goods or service or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier

Current Asset

A current asset is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the authority expects to realise the asset within 12 months after the reporting date

Current Liability

A current liability is an amount which will become payable or could be called in within the next reporting period; examples are creditors and cash overdrawn.

Current Replacement Cost

Current replacement cost is the cost the authority would incur to acquire the asset on the reporting date.

Current Service Cost (Pensions)

Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Curtailment

For a defined benefit scheme, curtailment is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. For example, it covers the additional cost arising from the early payment of pension benefits when an employee is made redundant.

Debtors

Debtors are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

Deferred Credits

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

Deferred Liability

A deferred liability is a sum of money that is either not payable until some point after the next reporting period or is paid off over a number of reporting periods.

Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the authority pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Departmental Carry Forwards

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

Depreciated Replacement Cost (DRC)

Depreciated replacement cost is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful amount

Discontinued Operation

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

Disposal Group

A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction

Donated Asset

A donated asset is an asset transferred at nil value or acquired at less than fair value

Effective Interest Rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Employee Benefits

Employee benefits are all forms of consideration given by the authority in exchange for service rendered by employees.

Estimation Techniques

Estimation techniques are the methods adopted by the authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves

Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

Exceptional Items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Exchange Transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Existing Use Value – Social Housing (EUV-SH)

Existing use value – social housing is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

- the property will continue to be let by a body and used for social housing
- at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements
- properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession
- any subsequent sale would be subject to all of the above assumptions

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, expected rate of return on pension assets is the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of non current assets

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred

Financial Asset

A financial asset is any asset that is:

- cash
- an equity instrument of another entity
- a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity, or
- a contract that will or may be settled in the entity's own equity instruments; in practice this is not applicable to local authorities

Financial Liability

A financial liability is any liability that is:

- a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, or
- a contract that will or may be settled in the entity's own equity instruments; in practice this is not applicable to local authorities

Financial Asset or Financial Liability at Fair Value through Profit or Loss

A financial asset or financial liability at fair value through profit or loss is one that meets the following conditions. It is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- on initial recognition part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or
- a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. Typical financial instruments are:

Liabilities

- Trade payables and other payables
- Borrowings
- Financial guarantees

Assets

- Bank deposits
- Trade receivables
- Loans receivable
- Other receivables and advances
- Investments
- Derivatives
- Swaps
- Forwards
- Options
- Embedded derivatives
- Debt instruments with embedded swaps
- Debt instruments with embedded options.

Financial Instruments Adjustment Account

The financial instruments adjustment account provides a specific accounting mechanism to reconcile the different rates at which gains and losses are recognised under proper accounting practices for borrowing and investments and are required by statute to be met from the General Fund balance.

Financial Reporting Standards (FRS)

Financial reporting standards advise the accounting treatment and disclosure requirements of transactions so that the authority's accounts present a true and fair view of the authority's financial position.

Financing Activities

Financing activities are activities that result in changes in the size and composition of the principal received from or repaid to external providers of finance.

Financing Costs Reserve

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

General Fund Balance

The General Fund balance shows the resources available to meet future running costs for non-housing services.

Going Concern

Going Concern defines that the functions of the authority will continue in operational existence for the foreseeable future.

Government Grants

Government grants are grants made by the government towards either revenue or capital expenditure to support the cost of the provision of the authority's services. These grants may be directed towards the cost of particular schemes or used to support the revenue spend of the authority.

Grants and Contributions

Grants and contributions are assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.

Historical Cost

Historical cost is the carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date us the later, and adjusted for subsequent depreciation or impairment (if applicable)

Housing Benefits

Housing benefits is the national system of financial assistance to individuals towards certain housing costs. Housing benefits are administered by local authorities and subsidised by central government.

Housing Revenue Account

The housing revenue account shows the resources available to meet future running costs for council dwellings.

Impairment Loss

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount

Income

Income is the gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of non current assets.

Insurance Reserve

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

Intangible Asset

An intangible asset is an identifiable non monetary asset without physical substance. It must be controlled by the authority as a result of past events and future economic or service benefits must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.

Interest Cost (Pensions)

The interest cost is the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Accounting Standards (IAS)

International Accounting Standards are standards for the preparation and presentation of financial statements created by the International Accounting Standards Committee (IASC). They were first written in 1973, and stopped when the International Accounting Standards Board (IASB) took over their creation in 2001.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards advise the accounting treatment and disclosure requirements of transactions so that the authority's accounts present fairly the financial position of the authority.

International Financial Reporting Interpretations Committee (IFRIC)

The IFRS Interpretations Committee (formerly called the IFRIC) is the interpretative body of the International Accounting Standards Board (IASB)

International Public Sector Accounting Standards (IPSAS)

International Accounting Standards (IAS) adapted to meet public sector requirements.

Inventories

Inventories are assets:

- in the form of materials or supplies to be consumed in the production process
- in the form of materials or supplies to be consumed or distributed in the rendering of
- services
- held for sale or distribution in the ordinary course of operations, or
- in the process of production for sale or distribution.

Investing Activities

Investing activities are activities relating to the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Investment Property

Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Item 8 Credit and Debit (General) Determination

This refers to the actual charges for capital in the HRA. A general determination of the Item 8 debit and credit is issued annually along with the HRA Subsidy Determination. It is based on notional debt and interest calculated in accordance with the requirements of the determination

Landfill Allowance Trading Scheme (LATS)

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

Lease

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liability

A liability is a present obligation of the authority arising from past events, the settlement of which is expected to result in an outflow from the authority of resources embodying economic benefits or service potential.

Lifecycle Payments

Lifecycle payments are the element of the unitary charge which reflects expenditure incurred by the PFI provider in the financial year to enhance, renew and maintain PFI assets

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Local Authority Business Growth Incentive (LABGI)

Generally business rates revenues received by a local authority are paid to central government, and then redistributed to local authorities by formula. LABGI provides an incentive for local authorities to promote economic growth by allowing them to be rewarded for an increase in non-domestic rateable value above a certain level.

Local Authority Business Growth Incentive (LABGI) Reserve

The LABGI reserve holds the amount in relation to the authority's LABGI allocation to be carried forward into the following reporting period.

Local Public Service Agreement (LPSA)

A LPSA is an agreement between the Government and an individual local authority. Under the agreement, the individual authority agrees to a number of targets. The authority sets out how it will improve local public services and in return the Government sets out how it will reward those improvements.

Local Public Service Agreement (LPSA) Reserve

The LPSA reserve relates to the performance reward grant in relation to LPSA 2 which is carried forward to 2010/11 to spend on specific expenditure areas.

Major Repairs Reserve

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

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the authority.

Movement in Reserves Statement

The movement in reserves statement shows the movement in the year on the different reserves held by the authority, analysed unto usable reserves and other reserves

National Non Domestic Rates (NNDR)

NNDR is a national scheme for collecting contributions from businesses towards the cost of local government services. Each business has a rateable value. The Government determines how much a business has to pay per £ of rateable value. The money is collected by the authority and then passed to central government who reallocate the income to all authorities in proportion to their population.

Net Realisable value

The net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Non Current Asset

A non current asset is an asset that does not meet the definition of a current asset

Non Distributed Costs

Non distributed costs are overheads for which no service benefits; for example pensions arising from discretionary added years service.

Non Exchange Transactions

Non exchange transactions are transactions that are not exchange transactions. In a non exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Operating Lease

An operating lease is a lease other than a finance lease

Other Comprehensive Income and Expenditure

Other comprehensive income and expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus 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 plans; and gains and losses on re-measuring available-for-sale financial assets.

Operating Activities

Operating activities are the activities of the authority that are not investing or financing activities.

Owner Occupied Property

Owner occupied property is property held (by the owner or by the lessee under a finance lease) for use in the delivery of services or production of goods or for administrative purposes.

Past Service Cost (Pensions)

The past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Pension Reserve

The pensions reserve is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net charge in the authority's recognised liability under IAS 19, Retirement Benefits, for the same period. A transfer is made to or from the Pensions Reserve to ensure that the charge to the General Fund balance reflects the amount required to be raised in taxation. The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet.

Pooled Budgets

Pooled budgets are formal arrangements under Section 75 of the National Health Service Act 2006, between local authorities and primary care trusts, to share the costs of various services which overlap in terms of the responsibilities of the various authorities. One authority hosts the entire activity for the partnership, and the other parties contribute towards the total costs on an agreed basis.

Post Employment Benefits

Post employment benefits cover not only pensions but also other benefits payable post employment such as life insurance and medical care.

PPP and PFI Arrangements

PPP and PFI arrangement involve the operator undertaking an obligation to provide infrastructure (and related services) that is used to provide services to the public (irrespective of who provides those services to the public). By extension, this includes providing infrastructure (and related services) for the direct use of a public sector entity where these services contribute to the provision of services to the public (e.g. office and administrative buildings). Other features of PPP and PFI arrangements are:

- the entity granting the service arrangement (the grantor) is a public sector entity
- the operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent of the grantor
- the contract sets initial prices levied by the operator and regulates price revisions over the period of the service arrangement, and
- the operator is obliged to hand over the infrastructure to the grantor in a specified condition at the end of the period of the arrangement, for little or no incremental consideration, irrespective of which party initially financed it.

The arrangement will typically involve a private sector entity (the operator) constructing or enhancing infrastructure used in the provision of a public service, and operating and maintaining that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement.

Precept

A precept is a levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf, such as the Sussex Police Authority and the East Sussex Fire Authority.

Prior Period Errors

Prior period errors are omissions from, and misstatements in, the authority's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue, and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Private Finance Initiative (PFI)

A PFI is a long term contractual public-private partnership, under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.

Private Finance Initiative (PFI) Reserves

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

Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and which are expected to be used during more than one period.

Provision

A provision is a liability of uncertain timing or amount

Public Works Loan Board (PWLB)

The PWLB is a central government agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

Qualified Valuer

A qualified valuer is a person conducting the valuations who holds a recognised and relevant professional qualification and having sufficient current local, national knowledge of the particular market, and the skills and understanding to undertake the valuation competently

Recoverable Amount (in respect of assets)

The recoverable amount is the higher of fair value less costs to sell (i.e. not selling price) and its value in use

Related Party

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. Related parties include:

- an entity that has an interest in the authority that gives it significant influence over the authority; and
- key management personnel, and close members of the family of key management personnel.

Related Party Transaction

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

Reporting Period

The reporting period is the length of time covered by the financial statements.

Reserves

Reserves are the residual interest in the assets of the authority after deducting all its liabilities.

Residual Value

The residual value is the estimated amount that the authority would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Restructure Redundancy Reserve

The restructure redundancy reserve funds approved redundancy payments and added years lump sum pension payments, which departments then repay to the reserve over five years. The reserve also receives contributions from departments for the actuarial costs of early retirements. The reserve is also available to fund the increase in the authority's superannuation contributions to the pension fund.

Revaluation Reserve

The revaluation reserve records the un-realised revaluation gains arising from holding non current assets. The reserve increases when assets are revalued upwards, and decreases when assets are revalued downwards or disposed of or as assets are depreciated

Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue Expenditure

Revenue expenditure is the day to day running costs relating to the reporting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute is revenue expenditure incurred that may be funded from capital resources under statutory provisions but does not result in the creation of non current assets. Items generally include grants, advances and financial assistance to others, cost of stock issues, expenditure on property not owned by the authority and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003 by the Secretary of State.

Revenue Support Grant

Revenue support grant is a non ring-fenced government grant which can be used by the authority to finance revenue expenditure on any service

Sale and Leaseback Transaction

A sale and leaseback transaction is where the authority sells an asset and leases back the same asset

Settlements (Pensions)

Settlements are an irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. For example, adjustments to the pension liability arising from bulk transfers of employees.

Short-term Compensated Absences

Short term compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated absences may be accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. For example, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement; where non-vesting, benefits lapse if an employee leaves before the vesting date.

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service. Short-term employee benefits include:

- wages, salaries and social security contributions
- short-term compensated absences
- bonuses and similar payments
- non-monetary benefits

Single Status Reserve

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

Surplus or Deficit on the Provision of Services

The surplus or deficit on the provision of services is the total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.

Temporary Borrowing

Temporary borrowing is a sum of money borrowed for a period of less than one year.

Termination benefits

Termination benefits are benefits that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the authority.

Total Comprehensive Income and Expenditure

Total comprehensive income and expenditure comprises all components of Surplus or Deficit on the Provision of Services and of Other Comprehensive Income and Expenditure.

Trust Funds

Trust funds are funds administered by the authority for such purposes as prizes, charities and specific projects

Unitary Charge

The unitary charge is the amount payable to the PFI contractor, by the authority, for the provision of works and services as defined in each PFI contract

Usable Capital Receipts Reserve

The usable capital receipts reserve holds the proceeds of non current assets sales available to meet future capital investment. These capital receipts are held in this reserve until such time they are used to finance capital expenditure.

Usable Reserves

Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation

Useful Life

The useful life is the period which an asset is expected to be available for use by the authority

Value Added Tax (VAT)

VAT is an indirect tax levied on most business transactions and on many goods and some services. Input tax is VAT charged on purchases. Output tax is VAT charged on sales.

Waste PFI Prepayment Reserve

The waste PFI prepayment reserve represents the amount included in the unitary charge that the authority has modelled as contributing towards the development of the Energy Recovery facility. This reserve will be used to reduce the authority's liability for the facility once it is operational

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

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

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