Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Date:	**25 November 2025**
Time:	**4.00pm**
Venue	**Council Chamber, Hove Town Hall, Norton Road, Hove, BN3 3BQ**
Members:	**Councillors:** West (Chair), Loughran (Deputy Chair), Atkinson, Baghoth, Guilmant, Helliwell, Hewitt and Meadows **Co-optees:** David Bradly (Independent Person), Barbara Beardwell (Independent Person) and David Gill (Independent Person)
Contact:	**Grace Leonard** Democratic Services Officer 01273 29 1065 grace.leonard@brighton-hove.gov.uk

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AGENDA

PART ONE	Page

30 PROCEDURAL BUSINESS

(a) **Declarations of Substitutes:** Where councillors are unable to attend a meeting, a substitute Member from the same political group may attend, speak and vote in their place for that meeting.

(b) **Declarations of Interest:**

(a) Disclosable pecuniary interests;
(b) Any other interests required to be registered under the local code;
(c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare
(i) the item on the agenda the interest relates to;
(ii) the nature of the interest; and
(iii) whether it is a disclosable pecuniary interest or some other interest.

If unsure, Members should seek advice from the committee lawyer or administrator preferably before the meeting.

(c) **Exclusion of Press and Public:** To consider whether, in view of the nature of the business to be transacted or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

Note: Any item appearing in Part Two of the agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the press and public. A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls and on-line in the Constitution at part 7.1.

31 MINUTES — 7 - 12

To consider the minutes of the meeting held on 23 September 2025.

Contact Officer: *Grace Leonard*
Ward Affected: *All Wards*

32 CHAIR'S COMMUNICATIONS

33 CALL OVER

(a) Items (36-39) will be read out at the meeting and Members invited to reserve the items for consideration.

(b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

34 PUBLIC INVOLVEMENT

To consider the following matters raised by members of the public:

(a) **Petitions:** to receive any petitions presented to the full council or at the meeting itself;

(b) **Written Questions:** to receive any questions submitted by the due date of 10am on the 13 November 2025;

(c) **Deputations:** to receive any deputations submitted by the due date of 10am on the 13 November 2025.

35 MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

(a) **Petitions:** to receive any petitions submitted to the full Council or at the meeting itself;

(b) **Written Questions:** to consider any written questions;

(c) **Letters:** to consider any letters;

(d) **Notices of Motion:** to consider any Notices of Motion referred from Council or submitted directly to the Committee.

36 EXTERNAL AUDIT - AUDIT FINDINGS REPORT 2024/25 — 13 - 86

Contact Officer: *Jane Strudwick* *Tel: 01273 291255*
Ward Affected: *All Wards*

37 AUDITED STATEMENT OF ACCOUNTS 2024/25 — 87 - 222

Contact Officer: *Jane Strudwick* *Tel: 01273 291255*
Ward Affected: *All Wards*

38 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 2 PROGRESS REPORT 2025/26 — 223 - 240

Contact Officer: *Carolyn Sheehan*
Ward Affected: *All Wards*

39 CIPFA CODE OF PRACTICE FOR THE GOVERNANCE OF INTERNAL AUDIT IN UK LOCAL GOVERNMENT — 241 - 258

Contact Officer: *Carolyn Sheehan*

Ward Affected: All Wards

40 ITEMS REFERRED FOR COUNCIL

(1) To consider items to be submitted to full Council for information.

In accordance with Procedure Rule 24.3a, the Committee may determine that any item is to be included in its report to Council. In addition, any Group may specify one further item to be included by notifying the Chief Executive no later than 10am on the eighth working day before the Council meeting at which the report is to be made, or if the Committee meeting take place after this deadline, immediately at the conclusion of the Committee meeting

41 ITEMS FOR THE NEXT MEETING

The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions to committees and details of how questions can be raised can be found on the website and/or on agendas for the meetings.

The closing date for receipt of public questions and deputations for the next meeting is 10 am on the eighth working day before the meeting.

Meeting papers can be provided, on request, in large print, in Braille, on audio tape or on disc, or translated into any other language as requested.
Infra-red hearing aids are available for use during the meeting. If you require any further information or assistance, please contact the receptionist on arrival.

FURTHER INFORMATION
For further details and general enquiries about this meeting contact Grace Leonard, (01273 29 1065, email grace.leonard@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

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- Do not re-enter the building until told that it is safe to do so.

Date of Publication - Monday, 17 November 2025

BRIGHTON & HOVE CITY COUNCIL

AUDIT, STANDARDS & GENERAL PURPOSES COMMITTEE

4.00pm 23 SEPTEMBER 2025

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillor West (Chair) Loughran (Deputy Chair), Baghoth, Guilmant, Helliwell, Meadows, and Robinson

Other Members present: Councillors Taylor and Williams

PART ONE

16 PROCEDURAL BUSINESS

16a Declarations of substitutes

16.1 Councillor Robinson was present as a substitute for Councillor Hewitt.

16b Declarations of interests

16.2 Councillor Robinson declared a non-pecuniary interest as a governor for St Andrew's C of E Primary School.

16c Exclusion of the press and public

16.3 In accordance with Section 100A of the Local Government Act 1972 ("the Act"), the Committee considered whether the public should be excluded from the meeting during consideration of any item of business on the grounds that it is likely in view of the business to be transacted or the nature of the proceedings, that if members of the public were present during it, there would be disclosure to them of confidential information as defined in Section 100A (3) of the Act.

16.4 **RESOLVED -** That the press and public are not excluded from the meeting.

17 MINUTES

17.1 **RESOLVED** – That the minutes of the previous meeting held on 24 June 2025 be approved and signed as the correct record.

18 CHAIR'S COMMUNICATIONS

18.1 The Chair provided the following communications:

I'm pleased to say that we have Councillor Williams with us here today who will be able to help inform our discussion of the annual housing complaints report and self-assessment. Councillor Williams has another meeting to attend later on and has requested that we move this item up to be our first item, which I've happily agreed to. Obviously, you're very very busy and we understand that so that's appreciated. Also, Councillor Taylor is going to attend as well to help inform our discussion of the progress report on budget setting. Councillor Taylor has work commitments and will be joining us virtually. To help Councillor Taylor manage his time as well, I've decided to move the budget report up to be the second item. So that's both of those reports first.

Just to say that earlier this month I was invited to attend a meeting of the Regional Audit Committee Forum, which is basically an exchange meeting for Audit and Standard chairs in the South East. The main topic of discussion was on the changes to internal audit standards, which there was a presentation by Diana Melville of CIPFA and Diana author's guidance so she's very authoritative on this matter. It was very helpful to hear that presentation and I think very timely for, certainly for myself, and for the consideration today of the new global internal audit standards which is on our agenda. The chief point that I took away from that presentation, just to share with members because you weren't able to benefit directly from that presentation, was that the global internal audit standards is the responsibility of audit and standards committee and not just the chief auditor. So, I hope we've all absorbed the report and that we take our responsibility seriously on this and that we don't just find ourselves being led by the chief auditor on all of these matters.

19 CALL OVER

19.1 The Democratic Services Officer called the agenda items to the committee. All items were reserved for discussion.

20 PUBLIC INVOLVEMENT

20.1 No public representations were received.

21 MEMBER INVOLVEMENT

21.1 No member representations were received.

22 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 1 PROGRESS REPORT 2025/26

22.1 The committee considered the Internal Audit and Counter Fraud Quarter 1 Progress Report 2025/26 which provided Members with an update on all internal audit and counter fraud activity completed during quarter 1 (2025/26), including a summary of all key audit findings. The report also included an update on the performance of the Internal Audit Service during the period.

22.2 Councillors Baghoth, Helliwell, Meadows, Robinson, and West asked questions and contributed to the debate of the report.

22.3 **RESOLVED –**

That the Audit, Standards, and General Purposes note the report.

23 GLOBAL INTERNAL AUDIT STANDARDS SELF- ASSESSMENT AND QUALITY ASSURANCE AND IMPROVEMENT PLAN

23.1 The committee considered Global Internal Audit Standards (GIAS) Self- Assessment and Quality Assurance and Improvement Plan (QAIP) which set out the results of the Internal Audit Service's self-assessment against the new Global Internal Audit Standards along with details of any actions arising, as set out with the Service's ongoing Quality Assurance and Improvement Plan. The Internal Audit Charter has been updated in response to the new Standards and is attached to this report as Appendix 3 for approval.

23.2 Councillors Loughran and West asked questions and contributed to the debate of the report.

23.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee:

1) Note the self-assessment against the new GIAS and the resulting QAIP.

2) Approve the updated Internal Audit Charter.

24 ANNUAL HOUSING COMPLAINTS REPORT AND SELF ASSESSMENT

24.1 The committee considered the Annual Housing Complaints Report and Self-Assessment in alignment with the Council Plan priority, Homes for Everyone, to ensure that the Council complies with new social housing regulations. Also, the Council Plan priority, to be a responsive council with well-run services.

24.2 Councillors Baghoth, Loughran, Meadows, Robinson, and West asked questions and contributed to the debate of the report.

24.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee having reviewed the report provide comment on the Annual Housing Complaints Report and Self-Assessment.

25 PROGRESS REPORT ON BUDGET SETTING

25.1 The committee considered the Progress report on Budget Setting to update the Committee on the Council's financial position, and consider progress being made setting the budget for 2026 onwards.

25.2 Councillors Guilmant, Meadows, and West asked questions and contributed to the debate of the report.

25.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee note the contents of this report and the appendix.

26 WHISTLEBLOWING - INTERIM UPDATE

26.1 The committee considered the Interim update on the Council's Whistleblowing Arrangements report to note the Whistleblowing referrals and outcomes received in since the Council's updated Whistleblowing Policy was approved by Committee in April 2025.

26.2 Councillors Guilmant, Helliwell, Meadows, and West asked questions and contributed to the debate of the report.

26.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee note the report, including the whistleblowing referrals and outcomes.

27 STANDARDS UPDATE

27.1 The committee considered the Standards Update report which provides a quarterly update on complaints received in alleging that Members have breached the Council's Code of Conduct for Members and on related matters.

27.2 Councillors Helliwell, Loughran, Meadows, and West asked questions and contributed to the debate of the report.

27.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee note this report.

28 ITEMS REFERRED FOR COUNCIL

28.1 No items were referred to Full Council for information.

29 ITEMS FOR THE NEXT MEETING

29.1 The committee requested that a draft report of the 2026/27 budget come to the 27 January 2026 Audit, Standards, and General Purposes committee meeting.

The meeting concluded at 7.15pm

Signed Chair

Dated this day of

Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 36

Subject: **External Audit - Audit Findings Report 2024/25**

Date of meeting: **25 November 2025**

Report of: **Interim Director of Property & Finance**

Contact Officer: **Name: Jane Strudwick**
Andy Conlan (Grant Thornton)
Email: jane.strudwick@brighton-hove.gov.uk
Andy.N.Conlan@gt.uk.com

Ward(s) affected: **All**

For general release

1. Purpose of the report and policy context

1.1 The audit findings report sets out the findings of the 2024/25 audit by the council's appointed external auditor, Grant Thornton. It includes the key messages arising from the audit of the financial statements and also sets out the arrangements for the auditor's value for money work. The value for money results will be covered in more detail in the external auditor's full annual report, which will be taken to the next Audit, Standards & General Purposes committee in January 2026.

1.2 The report indicates the external auditor's anticipated opinion on the council's financial statements and advises the committee of any outstanding audit queries.

2. Recommendations

2.1 That Committee note the findings set out in the 2024/25 Audit Findings Report and ask questions of the auditor as necessary and raise any other matters relevant to the audit of the 2024/25 financial statements.

3. Context and background information

3.1 The council's 2024/25 Statement of Accounts are required under statute and regulation to be published in draft by 30 June and the audited version published by the deadline of 27 February 2026.

3.2 Committee consideration of the audit findings report and audited 2024/25 Statement of Accounts (subject to conclusion of final audit queries) are part of meeting the legal requirements prior to final publication.

4. Analysis and consideration of alternative options

4.1 This committee is the committee charged with responsibility for approval of the council's Statement of Accounts and as such it is duty-bound to consider the findings and recommendations of the external auditor in considering its approval of the statements.

5. Community engagement and consultation

5.1 The draft 2024/25 Statement of Accounts were published / made available on the council's website on 1 July 2025 through to 11 August 2025 (30 working days)

6. Financial implications

6.1 The Audit Findings Report at Appendix 1 sets out the financial implications of the auditor's findings and confirms the audit fees for the year.

Name of finance officer consulted: Haley Woollard
Date consulted: 12/11/25

7. Legal implications

7.1 The legal framework for approving the council's statement of accounts is provided by Regulation 9 of the Accounts and Audit Regulations 2015 (statutory 129 instrument 2015/234), as amended. The Regulations permit either full Council or a Committee with delegated authority to consider and approve the statement of accounts.

7.2 At Brighton & Hove City Council, the Audit, Standards & General Purposes Committee is the designated committee for the above purpose. As a result, it is the correct body to consider the external auditor's findings (set out in their report at Appendix 1).

Name of lawyer consulted: Victoria Simpson Date consulted: 11/11/2025

8. Risk implications

8.1 There are no direct implications.

9. Equalities implications

9.1 There are no direct implications.

10. Sustainability implications

10.1 There are no direct implications.

11. Conclusion

11.1 The external audit feedback on the council's 2024/25 Statement of Accounts is set out in Grant Thornton's audit findings report at Appendix 1

Supporting Documentation

1. Appendices

1. Grant Thornton Brighton & Hove City Council 2024/25 Audit Findings Report

2. Background documents

1. Working Papers in support of the audit which were available during the publicised Public Inspection period.

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Grant Thornton

Audit Findings (ISA 260) Report for Brighton and Hove City Council

Year ended 31 March 2025

25 November 2025

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Brighton and Hove City Council
Hove Town Hall
Norton Road
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BN3 3BQ

Grant Thornton UK LLP
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London
EC2M 7EA

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25 November 2025

Dear Members of the Audit, Standards & General Purposes Committee

Audit Findings for Brighton and Hove City Council for the 31 March 2025

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with the management and will be discussed the Audit, Standards & General Purposes Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2024-.pdf (grantthornton.co.uk):

https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/transparency-report-2024-.pdf

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Paul Cuttle

Director
For Grant Thornton UK LLP

Contents

01 Headlines

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Brighton and Hove City Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and Authority's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during June-September 2025. Our findings are summarised on pages 45 to 53. We have identified 2 adjustments to the financial statements. These have no impact on the level of the Authority's usable reserves.

Audit adjustments are detailed at page 45. We have also raised recommendations for management as a result of our audit work. These are set out at page 57. Our follow up of recommendations from the prior year's audit are detailed at page 59.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, except for following:

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop legislation where we could not obtain sufficient appropriate audit evidence over the completeness of provisions. For the 2024/25 year, we assume we will be unable to obtain sufficient appropriate audit evidence by the statutory deadline of 27 February 2026 over the completeness of the Authority's provisions in the financial statements, specifically with respect to the potential provision that could be required for settlement of equal pay claims received during 2024/25. We expect to conclude that the possible effect of this matter on the financial statements could be both material and pervasive, and therefore we will be issuing a disclaimer of opinion on the financial statements. This means that we do not express an opinion on the financial statements. We note that all other audit work has been completed and any issues/errors from that work are considered to be immaterial and are reported on and concluded on within this report. The disclaimer of opinion is issued so that the Authority is able to comply with the requirement in the Regulations to publish audited financial statements for the year ended 31 March 2025 by the backstop date (27 February 2026).

The testing of a sample of insurance payments back to the lease liability/right of use assets to confirm completeness of that implementation is still in progress, and we are closing out final Director and Senior Manager review of the audit file which could lead to further audit queries/amendments.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

We have substantially completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which will be presented to the 27 January 2026 meeting of the Audit, Standards and General Purposes Committee. Further details about our the value for money work is included on page 61 of this report.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the 'Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties in relation to the 2024/25 audit.

We have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has not been received from the NAO that the group audit (Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration."

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

The impact on the authority financial statements is as follows:

- Implementation of IFRS 16 has led to material changes in the financial statements with leases valued over £38.381 million being recognised on the balance sheet as Right of use asset at the transition date.
- The Council has made all the necessary changes to the accounting policies relating to borrowing rates, reconciliations, and applied exemptions and have complied with all the disclosure requirements of IFRS 16 and the CIPFA Code.
- Professional judgments have been applied by the Council relating to lease term assumptions, embedded lease identification, and valuation of peppercorn leases, which have been disclosed in the accounts.

(Continued)

Headlines

Implementation of IFRS 16

Impact on the Authority

- Controls have been updated to support lease identification and classification. A completeness exercise was undertaken across the departments using questionnaires and spreadsheets to identify all lessee leases.
- The Council has mostly relied on spreadsheets for implementation and to track lease data and ensure completeness and accuracy across services
- Operating leases were reclassified as finance leases, except IFRS 16 exemptions has been applied where leases have been deemed low-value or short-term.
- 10 peppercorn (nil-consideration) leases were identified; fair value assessments were done by the management's valuer to recognise donated ROU assets at transition date under IFRS 16.

The Authority has made substantial progress in implementing IFRS 16, with material lease liabilities and right-of-use assets now recognised in the financial statements. The transition has been supported by updated internal controls, robust data collection processes, and a high level of departmental engagement.

From an auditor's perspective, the Authority has demonstrated a reasonable and systematic approach to identifying and assessing leases, including embedded and peppercorn arrangements. However, the auditor has noted a few discrepancies on implementation of the new standard which have been documented on slide 28 of this document.

02 Materiality

Our approach to materiality

As communicated in our Audit Plan dated 22 April 2025, we determined materiality at the planning stage as £19.5m based on prior year gross expenditure (audited). At year-end, we have reconsidered planning materiality based on the draft financial statements and the materiality has been updated which is due to change in gross expenditure figure as per the draft financial statements.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £19.6m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.
- We have used 1.9% of gross expenditure as the basis for determining materiality.

Performance materiality

- We have determined performance materiality at £13.7m, this is based on 70% of headline materiality. We have revised the performance materiality percentage to reflect the increased risk due to identified misstatements (both adjusted and unadjusted) and one control deficiency on completion of 2023/24 audit.

Specific materiality

- Lower separate materiality was identified for Senior officers remuneration and so we have applied a lower level of materiality of £100k.

Reporting threshold

- We will report to you all misstatements identified in excess of £0.98m, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	19,600,000	In determining materiality, we have considered the following factors: - Debt arrangements: the authority has a significant level of debt, but the majority of this is with PWLB and the council follows the CIPFA Prudential Code with regard to managing the levels of debt. We are not aware of significant debt covenants or other factors that would indicate an enhanced risk. - Business environment: the Council operates in a generally stable, regulated environment, although in recent years government policies have reduced the funding available and this has increased the financial pressures on the authority. - Control environment: the risk assessment did not identify any significant deficiencies in the control environment. - Other sensitivities – There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced
Performance materiality	13,700,000	Performance materiality is based on 70% of headline materiality. We have revised the performance materiality percentage to reflect the increased risk due to identified misstatements (both adjusted and unadjusted) and one control deficiency on completion of 2023/24 audit.
Specific materiality for Senior officers remuneration	100,000	Any error relating to Senior officers remuneration might have added significance for the accounts as a whole and so we have applied a lower level of materiality.
Reporting threshold	980,000	Reporting threshold is set at 5% of the overall materiality.

03 Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Risk 1 - Management override of controls	Significant	↔	✓	High	🟢
Risk 2 - The revenue cycle includes fraudulent transactions	Significant	↔	✓	Medium	🟢
Risk 3 - The expenditure cycle includes fraudulent transactions	Significant	↔	✓	Medium	🟢
Risk 4 - Valuation of land and buildings (including council dwellings) and investment properties	Significant	↔	✗	High	🔴
Risk 5 - Valuation of the pension fund net asset/liability - assumptions applied by the professional actuary in their calculation	Significant	↔	✗	High	🟢

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

🟢 Not likely to result in material adjustment or change to disclosures within the financial statements
🟡 Potential to result in material adjustment or significant change to disclosures within the financial statements
🔴 Likely to result in material adjustment or significant change to disclosures within the financial statements

Overview of audit risks

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Risk 6 – Equal Pay Claims	Other	↔	×	High	🔴
Risk 7 – Going Concern	Other	↔	×	Low	🟢
Risk 8 - Large panel systems – provision and valuation of assets	Other	↔	×	Low	🟠

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

🟢 Not likely to result in material adjustment or change to disclosures within the financial statements
🟠 Potential to result in material adjustment or significant change to disclosures within the financial statements
🔴 Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We have: • evaluated the design and implementation effectiveness of management relevant controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regards to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	We have completed our work in this area. The work has not identified any issues in respect of this risk.

Significant risks

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Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in revenue recognition Under ISA (UK) 240, we have considered the rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition. In Audit Plan, we had determined that the risk of fraud arising from revenue recognition could be rebutted, because: - there is little incentive to manipulate revenue recognition; and - opportunities to manipulate revenue recognition are very limited. There have been no changes to our assessment as reported in the Audit Plan.	To gain assurance over revenue, we: - Tested a sample of revenue to gain assurance over the accuracy and occurrence of revenue recorded during the financial year. - Performed testing over post year-end receipts to assess completeness of revenue and receivables recognition.	We have completed our work in this area. The work has not identified any issues in respect of this risk.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in expenditure recognition Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. Given that the Council is facing financial pressures over multiple years, the risk of fraudulent expenditure recognition is not relevant or significant. Limited financial resources and the long-term nature of the financial challenges make it highly unlikely for there to be an incentive or opportunity to fraudulently recognise expenditure in any one particular year. We considered that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which have been considered as part of the standard audit tests and our testing in relation to the significant risk of management override of controls. We are satisfied that this does not present a significant risk of material misstatement or fraud in the 2024/25 accounts and there have been no changes to our assessment as reported in the Audit Plan.	To gain assurance over expenditure, we: - Tested a sample of operating expenses to gain assurance over the accuracy and occurrence of expenditure recorded during the financial year. - Performed testing over post year-end transactions to assess completeness of expenditure recognition.	We have completed our work in this area. We have identified one error in our testing which we extrapolated to conclude it would be well below the audit performance materiality. This extrapolated estimated error is set out in the audit adjustments in Section 06 Audit Adjustments.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings (including council dwellings) and investment properties The authority revalue its land and buildings on a rolling five-yearly to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date. The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as significant risk requiring special audit consideration. For assets which are not revalued by the external valuer in year, work is carried out with the aim of ensuring the carrying value is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date.	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Assessed how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value; • Tested revaluations made during the year to see if they are input correctly into the Authority's asset register; • Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • Engaged an auditor's expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used.	Our audit work in this area is now complete We identified the following issue: - As part of our testing we challenged the valuation of New England House which in the Authority's own year end impairment considerations stated this should be impaired. However, in the professional valuation report the asset had a valuation of £8.475m. The Council's professional valuer stated that in the light of the fire safety issues around this property, that it should be valued at Nil. This was not adjusted by management as this was below materiality; - As part of our testing we noted a difference relating to the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost, which has not been correctly posted in the draft accounts. The total impact of the adjustment is £12.521m. This was proposed as an adjustment in the financial statements and management have opted to make the adjustment so that cumulative audit adjustments do not exceed our audit performance materiality. Some other minor disclosure and accounting policy amendments were also identified. These audit adjustments are set out in further detail in Section 06 Audit Adjustments. Other that these, there were no further issues identified in our audit procedures around the valuation of land and buildings.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of pension fund net pension liability/asset The Authority's share of the pension fund net liability/asset, as reflected in its Balance Sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability/asset is considered a significant estimate due to the size of the numbers involved (£20.12m in the Authority's Balance Sheet at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. (Continued)	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtained assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.	We have completed our work in this area. The work has not identified any issues in respect of this risk.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability/asset (continued) The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's net pension liability/asset as a significant risk.		

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Other risks

Risk identified	Audit procedures performed	Key observations
Equal Pay Claim The council has received 1,063 equal pay claims citing a number of areas of potential gender pay inequality. The council has a job evaluation scheme against which all jobs are evaluated and keeps under review its pay and allowances structure. The council considers that the claims are defensible and has commissioned external legal advice to undertake the detailed analysis and advise the council on potential defences or any potential risks they may pose. This process is likely to take at least two years. Authority management state that they do not therefore currently have any reliable data upon which to make any financial assessment or judgement for inclusion in the statement of accounts, and therefore the Authority has disclosed this issue as a contingent liability.	We have: • Updated our knowledge of the current status of the issue; • Met with the Council's legal adviser on the matter to discuss their view of the likelihood of the settlement of the claims; • Discussed and challenged the issue further with management, and obtained any further evidence that we need in order to conclude on whether it is reasonable to disclose this as a contingent liability as opposed to a IAS37 provision.	Our audit work is still in progress at the date of issue of this draft report. We have met several times during the year to discuss the matter and the continued assessments the Council is making around the claims. We have also met with the Council's external legal advisors to understand their assessment of the current position. The Council believes that the current assessment of a contingent liability is appropriate and will remain so at the 27 February 2026 backstop date (as per the Accounts and Audit (Amendment) Regulations 2024). Unless any new information emerges, we expect to conclude that the possible effect of this matter on the financial statements could be both material and pervasive. We would therefore issue a disclaimer of opinion on the financial statements as we did for the 2023/24 audit. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2024 by the backstop date.

Other risks

Risk identified	Audit procedures performed	Key observations
Going Concern The Council has three key financial risks that if they materialised could have a significant impact on the Council's financial sustainability in the short to medium term, and could require the Council to issue a s114 Notice. These are the budget gap for 2025/26 and the risk that sufficient savings cannot be found to meet that gap, and the risk of a successful equal pay claim (having recently received 1,063 equal pay claims). The Council's reserves remain low at £8.25m as of 31 March 2025, general fund reserves are considered by the Council to be at a minimum sustainable level and are not sufficient to be able to mitigate any overspends, lack of delivery of planned savings and the potential materialisation of these key risks. The Council's position is highly challenging and it could require further consideration of the feasibility of provision of non-statutory services. Although we don't consider there to be a material uncertainty around going concern for the Council, we also do not consider the risk to be remote.	We have: • Reviewed and consider the robustness of the Council's own assessment and reporting on the sufficiency of reserves; • Carried out review of the key assumptions in the Council's budget, medium term financial plan and cashflow forecasts and challenged them; and • Updated our understanding of all key emerging financial risks for the Council.	As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Other risks

Risk identified	Audit procedures performed	Key observations
Large panel systems – provision and valuation of assets As set out in our Audit Plan 2024/25 several large blocks of council dwellings containing large panel systems, were deemed non-compliant with Health & Safety standards. As a result, the Council's professional valuation expert amended their valuation of these blocks to Nil and this impairment was adjusted in the Council's financial statements for 2023/24. There is a potential risk that: - The council should make a provision for an estimate of the costs to rebuild/repair the blocks and any other costs associated with this; - The valuation of the blocks/other assets under construction associated with the blocks and repairs could be misstated.	We have: • Updated our knowledge of the Council's plans and current status, the Council's legal obligations and the Council's estimates of costs; • Challenged key assumptions in these estimates; and • Challenged the Council as to whether there is a current legal obligations/liability as a result of past events, and whether the this would now meet the criteria for recognition as a provision.	As part of the Council's responsibilities under the Building Safety Act 2022 and Social Housing (Regulation) Act 2023, it commissioned detailed structural surveys on buildings within its housing stock. It was reported the LPS eight blocks do not meet the current safety standards, in relation to their ability to resist a disproportionate collapse in the event of an explosion or large fire. Interim works to the blocks together with a number of management measures, have been implemented to ensure that the buildings remain safe to occupy whilst longer-term decisions are taken on the future of the blocks. A technical options appraisal of the eight blocks is underway and a paper was taken to July 2025 Cabinet outlining recommendations for the future of the blocks. Cabinet agreed that in principle the preferred option for addressing the structural and strengthening issues identified in respect of the LPS Blocks is the demolition and replacement of LPS Blocks with new homes in keeping with the housing needs of the city, and regeneration of the site. Management's view is this does not meet the criteria for recognition of a provision and would be in the form of a capital project in future years. The Council has not found a viable option for the long-term solution for the LPS blocks and different funding solutions are still being explored, as per the July 2025 cabinet paper. Therefore, the obligation to the council is possible, but depends on potential delivery partners, and cannot be reliably estimated at this time. Also, the structural surveys for the LPS blocks gave up to 5 years for the Council to deliver a long-term solution. There is not a current liability at this stage.

04 Other findings

Other areas impacting the audit

Issue	Commentary	
IFRS 16 implementation The adoption of IFRS 16 is required for local government authorities at 1 April 2024. We would expect audited bodies to disclose the implementation of the new accounting standard requirements, the nature of the changes in accounting policy for leases, along with the impact of IFRS 16 on transition.	During the audit, we have: • Evaluated management's processes for the calculation of the right of use asset and associated lease liability and the completeness of the disclosure. • Tested, on a sample basis, assumptions used in the calculation of the right of use asset and associated lease liability recognised as a result of implementation of IFRS 16.	**Auditor view** We evaluated management's processes for the implementation of the standard. We noted that management had carried out a significant process to set out a very detailed approach to making the estimate, alongside a robust set of assumptions and exercise in order to ensure that the Authority did achieve a complete compilation and treatment of all relevant leases for the standard. We tested a sample of the leases, and we found that the overall approach and assumptions made in making the estimate were reasonable. There were some minor accuracy issues with the inputs for estimate; specifically the monthly/annual lease payments and lease terms/end dates. We found that these caused some minor/immaterial errors across our sample. We extrapolated the total errors and we were satisfied that these could not cause material misstatement in the right of use assets and lease liabilities. We have set out the extrapolated total error from this testing in the unadjusted errors on page 53. We would not propose that management adjust the accounts based on these extrapolations and these are simply set out to demonstrate the overall immaterial level of errors and the assurance that can be taken from that. On page 57 we have made a control recommendation for an ongoing review of the accuracy of inputs for the IFRS 16 estimate. We are also testing a sample for completeness of the estimate from a listing outside the ledger. That work is ongoing at the date of finalising this report and we will update members on this at the meeting.

Other areas impacting the audit

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Issue	Commentary	
Historic Cost Adjustment (HCA) between the Revaluation Reserve and the Capital Adjustment Account, and Related Valuation Entries – Material Uncertainty During our 2022/23 audit for our sample of assets that we test to gain assurance over the valuation, we also test the accounting entries to ensure that the closing valuations, depreciation write outs on revaluation and other expected accounting entries per the CIPFA Code have been made correctly. When carrying out these checks an error was picked up impacting the unusable reserves. See the next column for full details.	**The issue** The Code section 4.1.3.2 states that "On a revalued asset, a transfer between the revaluation reserve and capital adjustment account shall be carried out that represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost." It was picked up in our 2022/23 testing sample of OLB revaluation in the testing of accounting entries that there were some unusual HCA adjustments. These adjustments effectively reversed 100% of the in-year depreciation charge for the asset from the revaluation reserve to the capital adjustment account. This flagged as unusual as you would always expect the HCA adjustment to be a proportion of the in-year depreciation charge due to the nature of the adjustment being to account for the difference in depreciation charge caused by the revaluation movements in the asset as against the historic cost. This indicated that for some assets the historic cost in the background of the Council's fixed asset module had been reduced to nil. After investigation of the sample and some wider assets the Council concluded that there had been some unusual adjustments only to the background historic cost entries in their fixed asset module. These entries appeared to impair the historic cost to Nil (or negative in some cases, but this did not impact the journal entries as they defaulted to a Nil value where the historic cost was negative). This continues to be a persistent issue for the 2024/25 financial statements audit.	**The impact on the accounts** The closing valuation entries are correct from our testing. The accounting entries for the write out of accumulated depreciation on revaluation are correct from our testing. The adjustment between the Revaluation Reserve (RR) and the Capital Adjustment Account CAA). The Council has been making some HCA adjustments between the RR and CAA which are overstated on specific assets. It appeared that this issue could have persisted in the underlying historic cost and accounting entries for a number of years. It was not possible to demonstrate that the cumulative transfers between the RR and CAA are not material as the exercise to investigate and check all of the historic cost records in the Fixed Asset Register system for accuracy would be a very time consuming and potentially costly one. The Council has chosen to include a Material Uncertainty disclosure in the Assumptions made about the Future and Other Major Sources of Estimation Uncertainty section of Note 3, as it is unclear what has caused the error in the historic cost, this has resulted in there being a material uncertainty in the accuracy of the total adjustment between the revaluation reserve and the capital adjustment account. The Material Uncertainty is limited to the value that these reserves are stated at within the Movement in Reserves Statement and Note 9. This error in the historic cost does not impact the asset valuations, depreciation charge or depreciation written out on revaluation accounting entries, and therefore the issue is not considered to be pervasive or fundamental to the users' understanding of the financial statements. We have reviewed the Council's disclosure in Note 3 of the financial statements and we consider this disclosure of Material Uncertainty to be accurate and adequate.

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Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Revenue is recognised in accordance with International Financial Reporting Standard (IFRS)15 Revenue Recognition from Contracts with Customers and International Public Sector Accounting Standard (IPSAS) 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Which of the two standards is applicable depends on determining whether the transaction is an exchange (IFRS 15) or non-exchange transaction (IPSAS 23). With non-exchange transactions there is no or only nominal consideration in return. The obligating extent is often determined by statutory prescription (e.g. council tax, VAT or a fine for breach of law) or may be a donation or bequest. For exchange transactions, assets or services and liabilities of approximately equal value are exchanged (e.g. fees and charges for services and the sale of goods provided). There is a contract which creates both right and obligations. Under IFRS15, the performance obligations in the contract have to be measured and the transaction price allocated to these obligations. Revenue is recognised when the performance obligations are satisfied.	• The policy is consistent with the relevant accounting framework. • Our testing has confirmed that revenue is being recognised in accordance with the accounting policy.	● GREEN
Expenditure recognition	The costs of central and departmental overheads (i.e. management and administration costs) and support services are charged to those services that benefit from the supply or service in accordance with the council's arrangements for accountability and financial performance. Where the cost of support services is included within a service segment as part of management reporting arrangements, they are not permitted to be apportioned across service segments within the CIES.	• The policy is consistent with the relevant accounting framework. • Our testing has confirmed that expenditure is being recognised in accordance with the accounting policy.	● GREEN

Assessment:
- ● Red = Marginal accounting policy which could potentially be open to challenge by regulators
- ● Amber = Accounting policy appropriate but scope for improved disclosure
- ● Green = Accounting policy appropriate and disclosures sufficient

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Valuation methods	PPE assets are initially measured at cost comprising purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the council, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The council does not capitalise borrowing costs incurred whilst assets are under construction. The costs of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). Assets are then carried on the balance sheet using the following measurement bases: • Community assets and assets under construction - historical cost. • Infrastructure assets - depreciated historical cost. • Council dwellings - current value determined using the basis of existing use value for social housing) (EUV-SH). • Assets where there is no market-based evidence of fair value because of their specialist nature and the asset is rarely sold (e.g. schools) – depreciated replacement cost is used as an estimate of current value. • Surplus assets – current value measurement base is fair value estimated at highest and best use from a market participant's perspective. • Non-property assets that have short useful lives or low values (or both) (i.e. vehicles, plant and equipment) – depreciated historical cost is used as a proxy for current value. • All other assets (i.e. other land and buildings) – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). (Continued)	We reviewed the Council's assessment of the estimate, considering; • Assessment of the Council's management's expert. • Undertaking testing on the completeness and accuracy of the underlying information provided to management expert (valuer) used to determine the estimate. • Reasonableness of increase/decrease in estimates on individual buildings. • Adequacy of disclosure of estimate in the financial statements. All the of the properties have been appropriately valued by the management expert.	GREEN

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Valuation methods	Assets included on the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the end of the financial year, but as a minimum every five years. Where, following revaluation of an individual land and / or building asset, the value drops below the de-minimis level, the de-minimis value of the asset is revalued downwards to nil. Increases in valuation are matched by credits to the revaluation reserve to recognise unrealised gains, unless the increase is reversing a previous revaluation decrease or impairment loss charged to services within the CIES in respect of the asset in which case the revaluation increase may be credited to the CIES. Decreases in valuations are accounted for by where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains) and where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service within the CIES. Revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the Capital Adjustment Account. The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, being the date of its formal implementation. Gains arising before that date have been consolidated into the CAA.	See above comments.	See above comments.

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Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment:
- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £736.4m at 31 March 2025 Valuation of Investment Property £49.6m at 31 March 2025	Other land and buildings comprises £501m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£237m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged several different valuers to complete the valuation of properties as at 31 March 2025 on a five yearly cyclical basis. 74% of total land and buildings, and investment properties, were revalued during 2024/25. The council produce an impairment statement and market review as part of their assessment of assets which may be (continued)	We undertook the following procedures: • We have reviewed the completeness and accuracy of the underlying information used to determine the valuation. This included testing accuracy of floor areas to plans provided to the valuer and testing of obsolescence and build cost assumptions. For investment properties, we reviewed the completeness and accuracy of rental income information, and the reasonableness of yield percentages applied in calculating the fair value. We have also assessed the appropriateness of the valuation method, the type of inspection performed, and any assumptions made in respect of local factors; • We are satisfied that the Council's expert is objective, competent and knowledgeable in their field of expertise; (continued)	GREEN

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £736.4m at 31 March 2025 **Valuation of Investment Property** £49.6m at 31 March 2025	Impaired as at 31 March 2025 under the requirements of IAS 36. The Council also produced working papers showing the estimated valuation movements for assets not valued at 31 March 2025 from the last date of valuation. Management assesses that these assets could be £9.78m greater than their carrying value in the balance sheet as at 31 March 2025. The total year end valuation of land and buildings was £736.4m, a net decrease of £25m from 2023/24 (£761.4m). The total year end valuation of investment properties was £49.6m, a net decrease of £6.8m from 2023/24 (£56.4m).	• We have reviewed the impact of any changes to the valuation method and incorporated this into our sample selection; • We have reviewed the consistency of valuations against our auditor's expert market trend report and adequacy of disclosure in the financial statements; • We engaged an auditor's expert to help assess the Council's valuation reports for land and building and investment property assets and used our expert to assess the method and assumptions. • We evaluated management's assessment of those assets not revalued in the year. We made our own assessment of the potential value of these assets at 31 March 2025.	See above.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of council dwellings £1050.2m at 31 March 2025	The Authority owns 12,181 dwellings and revalues these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance stipulates that either the use of beacon methodology or discounted cash flow can be used to value council dwelling properties. The Authority has applied the beacon valuation method which entails a detailed valuation of representative property types which is then applied to similar properties. The Authority has engaged external valuer to complete the valuation of these properties. The year end valuation of council dwellings was £1050.2m, a net increase of £22.6m from 2023/24 (£1027.6m).	We undertook the following procedures: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Discussed with, and wrote to, the valuer to confirm the basis on which the valuation was carried out. • Engaged our own valuer expert to provide commentary on: the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and the guidance regarding the valuation of council dwellings and social housing. • Reviewed and tested a number of assets back to market data for properties in that area. • Reviewed a sample of assets to test the appropriateness of the Beacon applied as well as undertaking existence testing of a sample of assets. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.	GREEN

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability £20.1m at 31 March 2025 IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments. (continued)	The Authority's net pension liability at 31 March 2025 is £20.1m (PY £22.9m). The Authority uses Barnett Waddingham to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. (continued)	We undertook the following procedures: • We assessed management's actuarial expert and concluded that they are competent, capable and objective in producing the estimate; • We engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of the information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable; • The auditors' expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management's expert. As set out below, all assumptions were within the expected range or explained by management to a sufficient degree. (continued)	● GREEN

Other findings – key judgements and estimates

Key judgement or estimate | **Summary of management's approach** | **Auditor commentary** | **Assessment**

Valuation of net pension liability

£20.1m at 31 March 2025 (continued)

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan.

Summary of management's approach

The latest full actuarial valuation was completed in 2023. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £9.3m net actuarial gain/loss during 2024/25.

Auditor commentary

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.8%	5.80% – 5.85%	Reasonable
Pension increase rate	2.90%	2.85% - 2.95%	Reasonable
Salary growth	2.90%	2.85% - 3.95%	Reasonable
Life expectancy – Males currently aged 45/65	21.9 years	20.6 - 23.1 years	Reasonable
Life expectancy – Females currently aged 45/65	25.4 years	24.1 - 25.7 years	Reasonable

- We carried out analytical procedures to conclude whether the Council's share of LGPS pension assets and liabilities were reasonable. We concluded that the Council's share of assets and liabilities was analytically in-line with our expectations;
- We have confirmed from the auditor of East Sussex Pension Fund as to the controls over the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Pension Fund and the fund assets valuation in the Pension Fund financial statements.

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision £29.7m in 2024/25	The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its minimum revenue provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £29.7k, a net increase of £17.1k from 2023/24. This represents a 2.82% charge against the general fund capital financing requirement (CFR).	We have completed our work on review of MRP estimate to conclude; • The MRP has been calculated in line with the statutory guidance • The Authority's policy on MRP complies with statutory guidance. • The Authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full Council • Reasonableness of the increase in MRP charge New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.	● GREEN

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Civica Financials	ITGC assessment (design effectiveness)	● Green	● Green	● Green	● Green	No other risks
NEC (formerly Northgate)	ITGC assessment (design effectiveness)	● Green	● Green	● Green	● Green	No other risks
i-Trent	ITGC assessment (design effectiveness)	● Green	● Green	● Green	● Green	No other risks
Carefirst	ITGC assessment (design effectiveness)	● Green	● Green	● Green	● Green	No other risks

Assessment:

- ● [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● [Black] Not in scope for assessment

05 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations. • We have not identified any incidences from our audit procedures performed.
Written representations	• A letter of representations will be requested from the Authority.
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority’s banking and treasury partners. This permission was granted and the requests were sent and have been received as part of our final accounts work. No issue arising.
Disclosures	• Our review found no material omissions in the financial statements.
Audit evidence and explanations	• All information and explanations requested from management was provided.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered in our Auditor's Annual Report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. As explained on p25, as we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified thus far, however subject to completion of the outstanding audit procedures. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Authority does not exceed the threshold.
Certification of the closure of the audit	We cannot yet certify the closure of the 2024/25 audit where confirmation has not been received from the NAO that the group audit (Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code.

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06 Audit adjustments

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
Heritage Assets The valuation of an asset as per the Financial Statements did not agree the valuation as per the insurance report. Hence, there is an understatement of £12.68mn in the total valuation of Heritage Assets as at 31/03/25.	Nil	Dr Heritage Assets £12,680 Cr Revaluation Reserve £12,680	Nil	Nil
Depreciation written down to Revaluation Reserve As part of our testing of Other Land and Buildings we noted an adjustment relating to the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost, which has not been posted in the draft accounts. The total impact of the adjustment is £12.521m which is taken from the Logotech report. However, the amount in the report is also incorrect owing to the material uncertainty relating to Historic Cost adjustments. Whilst there is uncertainty regarding the accuracy of the £12.521m this figure should be disclosed in the accounts until the issue is resolved.	Nil	Dr Revaluation reserve £12,521 Cr CAA £12,521	Nil	Nil
Overall impact	0	0	0	0

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Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
CIES	**Classification issue in CIES** We identified a classification issue where income of £3.223m was classified in cost of services (Homes Adult Social care £0.853m and Family Children & Wellbeing £3.147m). This should have been classified as 'Non ringfenced Gov Grants'. Management agreed with this and have adjusted this in the financial statements.	✓
CIES	**Presentation of CIES** Under the CIES, there is disclosure that explains the change in the presentation of the CIES. Under the Code this should not be part of the primary statements and should be reported as a note to the accounts. Management have agreed to remove the disclosure from the primary statement and add it as note 30 instead.	✓
CIES	**De-recognition of Financial Asset** While performing our work on write-off of i360 loan, we noted that the management has booked ECL in previous years. However, in the current year instead of recording a loss on the remaining balance, they have reversed the previously booked ECL and recognised a loss on the higher amount which does not reflect the economic substance of the transaction on the face of CIES. Hence, the loss of £8.95m should be shown under CIES in the line item 'De-recognition of Financial Asset' and similarly the £26.525 should be reversed back under cost of service to balance this out. This will have an impact on Note 9 (CAA) and Note 7 (Adjustments between Accounting Basis and Funding Basis under Regulation) as well. Management agreed with this and have adjusted this in the financial statements.	✓

Audit adjustments

Misclassification and disclosure changes

Disclosure	Misclassification or change identified	Adjusted?
Cashflow Statement	**Cashflow Statement** While performing our work on cashflow statement, we noted that: - An entry relating to the adoption of IFRS 16 was included in investing activities and reports a cash outflow of £40.890m, however the implementation of IFRS 16 is not expected to have an additional cash flow effect. - The financing activities section reported a £5.045m reduction in Private Finance Initiative (PFI) liabilities, consistent with Note 19. However, this did not appear to reflect the repayment of lease principal, which Note 17 disclosed as £14.188m. Our auditor view was that the impact of ROUA in investing activities should be removed and the repayment of lease principal should be included in financing activities. Management agreed to update the cashflow by removing the right of use assets cash outflow of £40.890m from investing activities and including the repayment of lease principal of £14.188m in financing activities. The £40.890m entry to the bring the right of use asset onto the balance sheet, along with the £34.582m entry to creditors and £6.038m entry to the capital adjustment accounts were reversed, thereby ensuring the cashflow still balanced.	✓
Note 3	**Critical Judgements and Assumptions Made (Fixed Asset Accounting)** Note 3 includes a disclosure regarding fixed asset accounting disclosing a material uncertainty with respect to the historic cost adjustment revaluation entries and their impact on the revaluation reserve and capital adjustment account. The Council are effectively setting out a Code-compliant accounting policy but due to record keeping/asset management system it is not possible to fully/accurately apply this accounting policy to make the historic cost adjustment entries upon asset revaluation. We have proposed this does not meet the definition of estimation uncertainty under IAS1 and would be more appropriately disclosed under critical judgements as a departure from the requirements of the Code. Management have agreed with our challenge, and this disclosure has been repositioned in the accounts.	✓

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
	Critical Judgements and Assumptions Made (PPE and Valuation of HRA dwellings) Note 3 includes the estimation uncertainty disclosures around PPE and Valuation of HRA dwellings that do not comply with the requirements of IAS 1. - The carrying value of £2.023m includes assets that are neither valued nor depreciated, and therefore not subject to the estimation uncertainty being disclosed. Additionally, this figure includes £1.050m of HRA dwellings, which are then separately referenced in the following disclosure, resulting in duplication and lack of clarity. - There is no explanation of the assumptions underlying the uncertainties, nor is there a sensitivity analysis. The reference to a £20m change is just 1% of total PPE which is not appropriate or informative. - The HRA disclosure mentions the discount factor but fails to explain how changes in this assumption would affect the carrying value. It is stated that a reasonably possible change could result in a £105m movement, yet there is no indication of what specific changes in assumptions would lead to such a shift. Management has agreed to separately identify the net book value of operational assets subject to potential revaluation (£736.416 million) and council dwellings (£1,028 million) and explain the impact of changes in estimated valuations, including movements in the Revaluation Reserve and the Comprehensive Income and Expenditure Statement. The revised note now clarifies depreciation charges for operational buildings will vary directly with the changes in estimated current value, noting that £33.169 million was charged during 2024/25. Furthermore, the revised wording acknowledges the risk of over- or under-stated depreciation in the event of significant revaluation movements or impairments. While a sensitivity analysis has not been included due to the absence of such data in the valuer’s report, the amended disclosure now provides a more transparent and informative explanation of the estimation uncertainties affecting PPE. We have raised a control recommendation that the Authority obtains a more detailed sensitivity analysis in future years.	✓
Note 5	**Expenditure and Funding Analysis** We noted an organisational restructure in CY where the PY amounts in CIES have also been restated to reflect the changes in organisational structure. However, the EFA at note 5 is not restated and so for 2023/24 reports different amounts and different segments than those presented in the CIES. We are satisfied no restatement for EFA disclosure is required as this will not add value to the understanding of the Financial Statements. However, management agreed to add a note under the EFA table stating that there has been an organisational restructure but the comparative figures for this note have not been restated.	✓

Audit adjustments

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Disclosure	Misclassification or change identified	Adjusted?
Note 10	**Missing Comparatives for Contractual Commitments** We noted that management has not disclosed the comparative figures. Management has agreed to add in the total commitments for the comparative year but not the detail per scheme, which is appropriate as per the code.	✓
Note 10	**Valuation split of non-current assets** Some values relating to assets valued at historical cost/ fair value during the year were incorrect in Note 10 in the draft accounts, relating to OLB & Surplus assets. Management has agreed to amend these values as follows: 1. OLB assets revalued during 24/25 should be £520,941 2. OLB assets valued at cost should be 543 3. Surplus assets revalued during 24/25 should be £2,585 4. Surplus assets revalued in 23/25 should be £1,450 Management has acknowledged the errors as above and agreed to amend the note accordingly.	✓
Note 12	**Issues noted in Financial Instruments** During our review, we noted that: - Note 12 states that the fair value of the long-term financial assets is lower than the carrying amount and provide explanation which is not correct as the FV is higher than the carrying amount of financial assets. - Note 12 states that Early repayment or impairment is recognised on financial assets, which is also incorrect as no such early repayment or impairment is recognised . - With the implementation of IFRS 16, no fair values or associated disclosures should be reported for PFI or lease liabilities. - Revenue Grants RIA has been classified as Financial Instrument which is not correct as it doesn't meet the definition of Financial Instrument and should be removed from Note 12. Management has acknowledged the errors as above and agreed to amend the note accordingly.	✓

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 13	**Issue in Comparatives in Debtors** During our review of the Note 13, we identified an error in comparative figures where management has erroneously used the 2022/23 figures as comparatives rather than 2023/24. Management has acknowledged the error and agreed to amend the note accordingly.	✓
Note 16	**Senior Officer Remuneration** In the disclosures of Senior Officers' Remuneration, one officer's salary was incorrect calculated/apportioned for the amount disclosed. Management agreed the error as highlighted, and the salary was accordingly amended from £99,869 to £83,367.	✓
Note 19	**Contingent Liability** We have suggested to include the contingent liability for virgin media case in current year. Management agreed with this and have amended this accordingly in the financial statements.	✓
Note 21	**Incorrect classification of Grants** We noted that the figure reported in note 16 for Revenue Government Grants credited to taxation and non-specific grant income is £87.76m whereas the CIES reports it as £84.527m. Management explained there are 3 grants that have been incorrectly classified on the ledger which led to them being incorrectly analysed in the CIES. Management has agreed to amend the CIES, whereas the Note 16 disclosure was already correctly stated.	✓
Note 25	**Closing Impact of Asset Ceiling** We noted that the Note 25 relating to pensions reports the highly material adjustment of 395m for closing impact of the asset ceiling whereas the bullets at page 75 state that "the value of the asset ceiling is therefore nil", which is not correct. Management has agreed to update the Note 25 to reflect this.	✓
Note 28	**ORBIS Joint Operating Budget** We noted that the Orbis shared back office services partnership between Brighton and Hove City Council, East Sussex County Council, and Surrey County Council is disclosed as £7,739,000 in the accounts for East Sussex County Council where this should be £4,738,850 as per the Orbis Operating Budget 2024/25 Equalisation. Management has acknowledged the error and agreed to amend the note accordingly.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements as they are considered by management to be immaterial. The Audit, Standards and General Purposes Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Overstatement of Additions We noted an error where management failed to accrue for a capital accrual of £54,650 of relating to the 2023/24 financial year. As a result, this expenditure was incorrectly capitalised in 2024/25, leading to an overstatement of the additions balance in this year. Our assessment of the extent of the error on extrapolation is that it would be a maximum of £1,024k which is below our Performance Materiality, and therefore this is being reported as an unadjusted misstatement. Note this an estimated extrapolation, below our performance materiality – we would not suggest any adjustment that was made based on an extrapolation.	Nil	Dr Payables £1,024 Cr PPE £1,024	Nil	Nil
Overall impact of current year unadjusted misstatements	0	0	0	0

Audit adjustments

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Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Impairment of Investment Property As part of our testing of Other Land and Buildings we challenged the valuation New England House which in the Authority's impairment considerations concluded should be impaired. However, in the professional valuation report the asset had a valuation of £8.475m. The Council's professional valuer stated that in the light of the fire safety issues around this property, that it should be valued at Nil.	Nil	Dr Revaluation reserve £8,475 Cr Other Land and Buildings £8,475	Nil	Nil
Completeness of capital additions: omission of capital accruals In our testing of invoices received after the year end to gain assurance over the completeness of expenditure in the 2024/25 accounts, we found three items which related to work completed before the 2024/25 year-end but had not been accrued correctly. The total amount of this error was £1,055k. We tested further invoices from the population and found no errors so we were satisfied that this was an isolated factual error.	Nil	Dr PPE £1,055 Cr Payables £1,055	Nil	Nil
Overall impact of current year unadjusted misstatements	0	0	0	0

Audit adjustments

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
IFRS 16 first year application: in our testing of the approach and assumptions used in the first year application of IFRS 16 we found some minor errors in the lease payments and terms used as inputs. These were aggregated and extrapolated where we had achieved significant testing coverage of the exercise. We were satisfied that these could not cause material misstatement in the right of use assets and lease liabilities. We have set out the extrapolated total error from this here. We would not propose that management adjust the accounts based on these extrapolations and these are simply set out to demonstrate the overall immaterial level of errors and the assurance that can be taken from that.	£0.301m	Understatement of opening lease liability and right of use asset by £2.666m Understatement of depreciation on right of use assets by £0.301m Understatement of closing lease liability by £1.148m Understatement of closing right of use asset by £0.390m	£0.301m	Nil
Overall impact of current year unadjusted misstatements	£0.301m	**£1.059m**	£0.301m	**Nil**

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Completed AuC Project not Transferred to Council Dwellings The Council have accumulated construction costs of £23,923k related to 3 blocks in Coldean Lane. In the preparation of the accounts, the Council have been informed that 2 out of the 3 blocks had been completed during the year. As a result, they have transferred 2/3 of the total construction costs incurred out of AuC to Council Dwellings. The related Council Dwellings were then revalued at their EUV-SH at year-end. The remaining 1/3 of the costs remained in AuC at year-end. However, further information after the preparation of the accounts confirms the final block had also been completed during the year. As a result of this information, the £7,974k construction cost sitting at AuC at the end of the year is incorrect as the asset had become operational during the year. Additionally, the amount that was transferred to Council Dwellings would have been revalued to their EUV-SH at year-end. Based on Beacon values, we determined the valuation loss to be £3,559k.	Dr Loss on Revaluation £3,559	Dr PPE (Council Dwellings) £7,974 Cr PPE (AuC) £7,974 Cr PPE (Council Dwellings) £3,559	Dr £3,559	Cr £3,559	Immaterial

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Large Panel System Asset Impairment – Gross Book Value Transactions Transactions recorded against LPS assets (now fully impaired) in 2023/24 resulted in a decrease in their gross book value of £484k. Due to these assets now having been impaired to nil, via a prior-period adjustment, these transactions would need to be reversed. The reduction in the GBV of £484k was made up of: **Gross Book Value Adjustments:** - Additions of £1,924k - Revaluation gain of £167k - Revaluation loss to the CIES arising from adjustment of GBV of £1,474k - Revaluation loss to the Revaluation Reserve arising from adjustment of GBV of £1,101k	Dr CIES (Additions impairment) £1,924 Dr CIES (Reversal of Reval gain) £167 Cr CIES (Reversal of Reval loss) £1,474	Cr PPE (Additions) £1,924 Cr PPE (Reval gain) £167 Dr PPE (Reval loss to CIES) £1,474 Dr PPE (Reval loss to RR) £1,101 Cr Revaluation reserve £1,101	Dr £617	Cr £617	Immaterial

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Impact of unadjusted misstatements in the prior year

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Large Panel System Asset Impairment – Accumulated Depreciation Transactions Reversing the transactions associated with the depreciation recorded against the LPS assets in 2023/24 would have the following impact: **Adjustments for Accumulated Depreciation:** - Depreciation charge to CIES of £483k - Revaluation loss to the Revaluation Reserve arising from adjustment of AD of £367k - Revaluation loss to the CIES arising from adjustment of AD of £116k	Cr CIES (Depreciation expense) £483 Dr CIES (Reversal of AD) £167	Dr PPE (Reversal of depreciation) £483 Cr PPE (Reversal of AD write back) £167 Dr Revaluation Reserve (Reversal of AD write back) £116 Cr PPE (Reversal of AD write back) £116	Cr £316	Dr £316	Immaterial
Overall impact of prior year unadjusted misstatements	Dr £3,860	Cr £3,860	Dr £3,860	Cr £3,860	0
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	Dr £3,860	Cr £3,860	Dr £3,860	Cr £3,860	0

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	While performing our work on IFRS-16 , we noted the detailed calculations relating to transitioning into IFRS 16 have been completed by the Principal Accountant. However, there has been no review of the assessments and calculations by the more senior suitably qualified individual in the finance team. We also noted that there were some minor accuracy issues around the lease payments and terms as inputs to the estimate of lease liability/right of use asset.	We recommend that in future financial years for any significant new accounting standards which are introduced/applied, there is additional segregation of duties applied in the process so that any significant judgements/assessments and calculations made by a member of the finance team are counter-reviewed for accuracy and reasonableness ahead of full application. This will reduce any potential for errors/misapplications, though note that our view is that the approach and process applied for the application was otherwise a detailed and robust one. While the accuracy issues around lease payments and terms did not cause any significant errors in the estimate, we would recommend an ongoing review exercise in departments around the existing and new/extended leases to ensure that payments and terms are updated accurately. **Management response** Agreed - the council will ensure any future significant judgements/assessments and calculations are appropriately reviewed and will commence a review of terms and payments of leases to ensure their accuracy in the accounts

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

Action plan

Assessment	Issue and risk	Recommendations
High	As set out in Section 04 of this report, The council has disclosed a Material Uncertainty disclosure in the Critical Judgements Note 3 where they are unable to comply with the Code and the Authority's accounting policy for property, plant and equipment revaluation accounting in carrying out the historic cost adjustment. This issue is due to their record keeping/asset management system .	We recommend management sets out a plan to investigate and resolve the issue with the fixed asset management system/record keeping so that this issue can be resolved and so that any historic erroneous entries in the system can be corrected and so that the Authority has assurance over the correctness of the 2 unusable reserves which are impacted. **Management response** Agreed - the council will compile a plan to investigate the issue and assess possible resolution
Medium	As set out in Section 06 of this report, The council has disclosed a Estimation Uncertainty disclosure in the Critical Judgements Note 3 where they are have not included a detailed sensitivity analysis due to absence of such data in the valuer's report. Therefore the disclosure does not meet the requirements of IAS1 to state clearly the areas of the assumptions which could cause material year on year variance in the outcome of the estimate.	We recommend that management obtain a more detailed sensitivity analysis in future years from the valuer. **Management response** Agreed - the council will request a more detailed sensitivity analysis as part of the valuation reports provided by valuers

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2023/24 financial statements, which resulted in 1 recommendation being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Reporting of Kingsway to the Sea Capital Project We identified some weaknesses in management's accounting for, and reporting of, the Kingsway to the Sea capital programme. We noted several classification issues related to this programme. Firstly, capital expenditure was recorded to the Infrastructure asset class despite the assets not being operational. Whilst not material, these were still significant sums of money, thus creating a risk of material misclassification in future periods. Further, we identified one instance where an invoice for works received in 2023/24 was not accrued for in the correct period. Multiple instances of misstatement under the same project has driven our control recommendation.	Management have introduced more detailed review of capital additions at the year end to ensure that the cut off accounting treatment is correct. This is particularly applied around largescale/material capital projects which are ongoing. While there was a minor immaterial cut off error identified in our testing as set out above (£1,055k in total), we are satisfied that the measures put in place by management are satisfactory to mitigate any risk of material misstatements.

Assessment

✓ Action completed

X Not yet addressed

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07 Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Our draft AAR has been issued with management and will be formally presented to the 27 January 2026 Audit, Standards & General Purposes Committee.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we identified significant weaknesses in arrangements in each of the three VFM criteria. These relate to existing issues raised in the previous year and are explained in detail in our Auditor's Annual Report which will be presented to the 27 January 2026 Audit, Standards & General Purposes Committee.

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08 Independence considerations

Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to a current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Brighton and Hove City Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees which we set out on the next page.

Audit fees	**£**
Audit of Authority	£450,108
Recharge of costs for PPE Valuation expert engaged for the audit	£6,000 (yet to be invoiced by the provider, so TBC)
Additional fee for increased work on the first year application of IFRS16 detailed testing and review of the authority's disclosures – not included in scale fee.	£13,349
Total Audit fee:	£469,457
Certification of Housing Benefits	£34,253
Teachers Pensions return certification	£12,500
Total	£516,210

Fees and non-audit services

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits	£34,283	£34,253 with an adjustment for CPI. (proposed fee being discussed with management)	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management threat (if GT were to recommend a particular action or make a decision on behalf of management)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £34,253 with an adjustment for CPI (plus £1,500 day rate for any additional reperformance/ other work necessary outside of the core agreed fee) in comparison to the total fee for the audit of £450,108 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. The scope of this work does not include making decisions on behalf of management or recommending a particular course of action.
Teachers Pensions return certification	£12,500	£12,500	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management threat (if GT were to recommend a particular action or make a decision on behalf of management)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £450,108 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. The scope of this work does not include making decisions on behalf of management or recommending a particular course of action.

Fees and non-audit services

Audit fees	£
Scale fee	£450,108
Recharge of costs for PPE Valuation expert engaged for the audit	£6,000 (yet to be invoiced by the provider, so TBC)
Additional fee for increased work on the first year application of IFRS16 detailed testing and review of the authority's disclosure – not included in scale fee.	£13,349
Total audit fees (excluding VAT)	**£469,457**

Non-audit fees for other services	£
Certificate of Housing Benefits	£34,253
Teachers Pensions return certification	£12,500
Total non-audit fees (excluding VAT)	**£46,753**

The above fees are exclusive of VAT.

The fees agree to the financial statements.

This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 37

Subject: **Audited Statement of Accounts 2024/25**

Date of meeting: **25 November 2025**

Report of: **Interim Director of Property & Finance**

Contact Officer: **Name: Jane Strudwick**
Email: jane.strudwick@brighton-hove.gov.uk

Ward(s) affected: **All**

For general release

1. Purpose of the report and policy context

1.1 This report provides information about the audit of the council's 2024/25 Statement of Accounts and recommends approval of the 2024/25 audited accounts and the Letter of Representation on behalf of the council. The accounts should be viewed alongside the council's Annual Governance Statement (AGS) which is also approved by the Audit, Standards & General Purposes Committee.

1.2 The council's external auditors for 2024/25 are Grant Thornton who are required to give assurance that the accounts are free from material misstatement and to report significant matters arising from the audit. Grant Thornton will be presenting their findings to this Committee through their Audit Findings Report elsewhere on this agenda, after which they will normally be able to issue their audit opinion, and the accounts can be formally published subject to the Committee's approval.

1.3 This report presents the updated 2024/25 accounts following the outcome of the audit process. It outlines any amendments made to the accounts and provides assurances in relation to the preparation of the accounts. It also informs the committee of the outcome of the public inspection of the accounts. Copies of the final accounts are available on-line and are provided at Appendix 3.

2. Recommendations

2.1 That Committee notes the findings of the external auditor Grant Thornton as set out in their audit findings report (a separate item on this agenda).

2.2 That Committee notes the results of the public inspection of the accounts (paragraph 5).

2.3 That Committee approves the Letter of Representation on behalf of the council (Appendix 1).

2.4 That Committee approves the audited Statement of Accounts for 2024/25 (Appendix 3) subject to any final amendments.

2.5 That Committee delegates authority to the Chief Financial Officer for any final wording or immaterial adjustments to the accounts prior to publication.

3. Context and background information

3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended).

3.2 It is a requirement that the annual accounts be prepared as soon as practicable after the end of the financial year and considered and approved by a resolution of the committee charged with governance or the Full Council by the specified statutory deadline. Therefore, the accounts must be published and signed off by the external auditor as soon as reasonably possible after the conclusion of the audit.

3.3 The statutory deadline for consideration and approval of the 2024/25 final audited accounts by Members is 27 February 2026. The council's Constitution gives delegated authority to the Audit, Standards & General Purposes Committee to discharge the statutory responsibility of approving the accounts.

Format of the Accounts

3.4 Local authority accounts are not viewed from a commercial perspective, for example, in terms of an authority's attractiveness for possible merger or acquisition. Instead, local authorities are viewed in terms of their financial resilience, effective financial management and general viability. The 'going concern' concept does apply to local authority accounts in principle but does not apply in practice as evidenced in the case of local authorities who have issued s114 notices and who would be insolvent if they were not local authorities effectively underwritten by the UK government.

3.5 The purpose of the accounts therefore is to provide information to a wide range of stakeholders and the general public about the financial position, financial performance and cash flow of the council and to provide answers to basic questions such as:

- What did the council's services and capital programme cost in 2024/25?
- Where did the money come from?
- What does the council own?
- What commitments and liabilities do the council have and what provisions and reserves has the council set against these?
- What amounts were due and what was owed at the end of the financial year?

3.6 In accordance with the Accounts and Audit Regulations, the accounts include:

- A narrative report.
- A Statement of Responsibilities.
- The core financial statements (Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement).
- The Supplementary statements (Housing Revenue Account and Collection Fund).
- The Notes to the accounts.

3.7 The narrative report aims to offer interested parties a more readable guide to the most significant matters reported in the accounts. A brief commentary on the key aspects of the 2024/25 accounts is included in **Appendix 2** to this report.

3.8 The statements 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. The requirement for the preparation of Group Accounts in 2024/25 has been considered and it was concluded that there were no material transactions in the 2024/25 financial year that would have required Group Accounts.

3.9 Grant Thornton have made significant progress on their work on the audit of the accounts and will be reporting their findings separately to this Committee through the 2024/25 Audit Findings Report (elsewhere on this agenda). Following this report and resolution of any outstanding audit matters, Grant Thornton will normally be able to issue their audit opinion, and the accounts can be formally published.

Preparation of the Accounts

3.10 The council is required to prepare its accounts on an International Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA); the 2024/25 accounts cover the period 1 April 2024 to 31 March 2025. There has been no deviation from the requirements of the Code and all accounting policies adopted by the council for the 2024/25 accounts are in line with the requirements of the Code. For 2024/25 there were no significant changes in reporting requirements under the Code of Practice.

3.11 The accounts are prepared by appropriately qualified and trained officers who have undertaken appropriate training on the requirements for preparing local government accounts. Finance officers involved in the preparation of the accounts attend regular training and / or workshops to ensure up-to-date knowledge, including latest accounting code changes. Officers have referred to CIPFA’s practitioner’s guidance notes, disclosure checklists and other technical guidance in preparing the accounts to ensure compliance with all statutory and other regulatory requirements. Officers have also liaised closely during the preparation of the accounts, with Grant Thornton over the application of the Code to the 2024/25 accounts.

3.12 In preparing the accounts, the council makes a number of critical judgements, accounting estimates and assumptions; the details are disclosed in Note 3 Critical Judgements and Assumptions Made in the accounts. As part of the accounts preparation process, a full review of the financial statements, notes and critical accounting transactions was undertaken by senior officers within Finance. Following this review, the accounts were then approved by the Chief Finance Officer to be issued for public inspection and audit. Evidence of this review formed part of the working papers produced for Grant Thornton.

3.13 During the accounts audit process, officers liaised closely with Grant Thornton in respect of audit queries and worked closely to ensure successful resolution of these queries as expediently as possible. During the audit of the 2024/25 accounts, there have been no disputes between council officers and Grant Thornton in relation to the required amendments to the accounts.

Audit of the Accounts

3.14 Grant Thornton has undertaken the audit of the council's accounts and reports its findings and recommendations in its Audit Findings Report which forms a separate item on this committee agenda. As external auditor, Grant Thornton is responsible for forming an opinion on the financial statements and forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources (completing a Value for Money review).

3.15 Compilation of the financial statements relies on data extracted from the financial systems, including those systems which interface into the financial system. It is therefore important for Grant Thornton to be satisfied that these systems have adequate controls in place so that assurance can be given on the integrity of the information held within them. As confirmed in the audit findings report the council's financial statements are free of material misstatements and omissions.

3.16 Grant Thornton's 2024/25 audit findings report states that a disclaimer of opinion is expected to be issued, this is the same as for the 2023/24 accounts. This is due to the external auditors being unable to obtain sufficient appropriate audit evidence by the statutory deadline of 27 February 2026 over the completeness of the Authority's provisions in the financial statements, specifically with respect to the potential provision that could be required for settlement of equal pay claims received during 2024/25. The external auditors expect to conclude that the possible effect of this matter on the financial statements could be both material and pervasive, and therefore they will be issuing a disclaimer of opinion on the financial statements. This means that they do not express an opinion on the financial statements. The disclaimer of opinion is issued so that the Authority is able to comply with the requirement in the Regulations to publish audited financial statements for the year ended 31 March 2025 by the backstop date (27 February 2026).

3.17 The Grant Thornton Annual Auditor's Report (Value for Money work) will be taken to the next Audit, Standards & General Purposes committee on 27 January 2026.

3.18 It is a requirement that the council's Annual Governance Statement is approved annually either before or alongside approval of the financial statements. This was approved at the June 2025 meeting of the Audit, Standards & General Purposes Committee.

4. Analysis and consideration of alternative options

4.1 Under the Accounts and Audit Regulations 2015 and the and the Accounts and Audit (Amendment) Regulations 2024, the council's 2024/25 accounts are to be approved by the Chief Finance Officer no later than 30 June and following the audit process are to be approved by Members no later than 27 February 2026. Under the Council's constitution, the Audit, Standards & General Purposes Committee is charged with this responsibility.

4.2 After the accounts have been made available for public inspection, alterations to the accounts may only be made with the consent of the external auditor, Grant Thornton.

5. Community engagement and consultation

5.1 Members of the public, in accordance with the Accounts and Audit Regulations 2015, are granted access for a period of 30 working days to the council's unaudited accounts and are invited to enquire about any aspect of these accounts. If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the accounts with Grant Thornton. The accounts were formally made available for public inspection on the council's website from 1 July 2025 to 11 August 2025. The council received one enquiry in respect of national insurance, VAT, school fees, schools with unlicensed deficits, property disposals, property purchases, advertising and public health as part of the public inspection process

6. Financial implications

6.1 The financial implications are included in the body of this report.

Name of finance officer consulted: Haley Woollard
Date consulted: 12/11/25

7. Legal implications

7.1 The legal framework for approving the council's statement of accounts is provided by Regulation 9 of the Accounts and Audit Regulations 2015 (statutory instrument 2015/234), as amended. That permits either full

Council or one of its committees to consider the statement of accounts and to formally approve it. At Brighton & Hove City Council, the Audit, Standards & General Purposes Committee has been given delegated responsibility for this function.

Name of lawyer consulted: Victoria Simpson Date consulted: 11/11/25

8. Risk implications

8.1 Grant Thornton's 2024/25 audit findings report states that a disclaimer of opinion is expected to be issued.

9. Equalities implications

9.1 There are no direct implications.

10. Sustainability implications

10.1 There are no direct implications.

11. Conclusion

11.1 Grant Thornton have carried out their audit of the 2024/25 accounts and have reported their findings and recommendations arising from the audit of the accounts as a separate item on this agenda. The main changes resulting from the audit are included in the Audit Findings Report to ensure members are aware of the changes to the accounts agreed with Grant Thornton prior to their approval. As noted in the Audit Findings Reports, there are a small number of outstanding queries that the auditor will need to conclude before being able to issue their formal opinion and complete the audit.

Supporting Documentation

1. Appendices

1. Letter of representation 2024/25

2. Brief Commentary on the 2024/25 Statement of Accounts

3. Brighton & Hove City Council 2024/25 Audited Statement of Accounts

2. Background documents

1. Audited Brighton & Hove City Council 2024/25 Statement of Accounts and associated working papers.

FINANCE
Brighton & Hove City Council
Room 167
Hove Town Hall
Norton Road
Hove
BN3 4AH

Grant Thornton UK LLP
8 Finsbury Circus
London

EC2M 7EA

Date: **TBC {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]**

Our Ref: GT BHCC 2024/25

Contact: John Hooton

e-mail: John.hooton@brighton-hove.gov.uk

Dear Grant Thornton UK LLP

Brighton and Hove City Council
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Brighton and Hove City Council ("the Authority") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority's financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include Land and Building Revaluation, Investment property revaluation, valuation of pension fund net surplus, minimum revenue provision, accruals and provisions. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

v. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vi. Except as disclosed in the financial statements:

    a. there are no unrecorded liabilities, actual or contingent;

    b. none of the assets of the Authority has been assigned, pledged or mortgaged; and

    c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end/period end. The financial statements are free of material misstatements, including omissions.

x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. We confirm that we have made an assessment of all actual and likely equal pay claims that we have knowledge of. The Council has received around 1,063 equal pay claims citing a number of areas of potential gender pay inequality. The council considers that the claims are defensible and has commissioned external legal advice to undertake the detailed analysis and advise the council on potential defences or any potential risks they may pose. This process is likely to take at least two years. Due to the uncertainty of the claims as well as not currently having any reliable data upon which to estimate the potential liability, the council cannot therefore make any financial assessment or judgement for inclusion in the statement of accounts.

xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xii. We have updated our going concern assessment. We continue to believe that the Authority’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

   a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;

   b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Authority’s system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

xiii. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xiv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority’s financial statements in the event of non-compliance.

Information Provided

xv. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Authority’s financial statements such as records, documentation and other matters, except for the information outlined in paragraph xxiv. below;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

   a. management;

   b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

xxiv. On 30 September 2024 Parliament approved the Accounts and Audit (Amendment) Regulations 2024. These regulations set a publication date for financial statements in respect of 2024-25 of 27 February 2026. The new National Audit Office Code of Audit Practice, which was published on 14 November 2024, also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the ‘backstop date’. It has not been possible to provide you with all the information required for you to complete your audit for the year ending 31 March 2025 by the backstop date in relation to provisions in the financial statements. As stated in point x. above, we are unable to provide with all the information requested due to the uncertainty of the claims as well as not currently having any reliable data upon which to estimate the potential liability.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority’s financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Audit, Standards and General Purposes Committee at its meeting on 25 November 2025.

Yours faithfully

Name: John Hooton

Position: Interim Director Property Finance (S151 Chief Finance Officer)

Date 25 November 2025

Signed on behalf of the Authority

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements as they are considered by management to be immaterial. The Audit, Standards and General Purposes Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Overstatement of Additions We noted an error where management failed to accrue for a capital accrual of £54,650 of relating to the 2023/24 financial year. As a result, this expenditure was incorrectly capitalised in 2024/25, leading to an overstatement of the additions balance in this year. Our assessment of the extent of the error on extrapolation is that it would be a maximum of £1,024k which is below our Performance Materiality, and therefore this is being reported as an unadjusted misstatement. Note this an estimated extrapolation, below our performance materiality – we would not suggest any adjustment that was made based on an extrapolation.	Nil	Dr Payables £1,024 Cr PPE £1,024	Nil	Nil
Overall impact of current year unadjusted misstatements	**0**	**0**	**0**	**0**

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Impairment of Investment Property As part of our testing of Other Land and Buildings we challenged the valuation New England House which in the Authority's impairment considerations concluded should be impaired. However, in the professional valuation report the asset had a valuation of £8.475m. The Council's professional valuer stated that in the light of the fire safety issues around this property, that it should be valued at Nil.	Nil	Dr Revaluation reserve £8,475 Cr Other Land and Buildings £8,475	Nil	Nil
Completeness of capital additions: omission of capital accruals In our testing of invoices received after the year end to gain assurance over the completeness of expenditure in the 2024/25 accounts, we found three items which related to work completed before the 2024/25 year-end but had not been accrued correctly. The total amount of this error was £1,055k. We tested further invoices from the population and found no errors so we were satisfied that this was an isolated factual error.	Nil	Dr PPE £1,055 Cr Payables £1,055	Nil	Nil
Overall impact of current year unadjusted misstatements	**0**	**0**	**0**	**0**

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
IFRS 16 first year application: in our testing of the approach and assumptions used in the first year application of IFRS 16 we found some minor errors in the lease payments and terms used as inputs. These were aggregated and extrapolated where we had achieved significant testing coverage of the exercise. We were satisfied that these could not cause material misstatement in the right of use assets and lease liabilities. We have set out the extrapolated total error from this here. We would not propose that management adjust the accounts based on these extrapolations and these are simply set out to demonstrate the overall immaterial level of errors and the assurance that can be taken from that.	£0.301m	Understatement of opening lease liability and right of use asset by £2.666m Understatement of depreciation on right of use assets by £0.301m Understatement of closing lease liability by £1.148m Understatement of closing right of use asset by £0.390m	£0.301m	Nil
Overall impact of current year unadjusted misstatements	£0.301m	**£1.059m**	£0.301m	**Nil**

Appendix 2

Brief Commentary on the 2024/25 Statement of Accounts

Balance Sheet

The Balance Sheet is particularly technical, which is unavoidable given the requirement to observe the Code of Practice and the complex capital accounting, financial instrument and pension fund liability reporting standards. This includes substantial 'unusable' reserves that are required to translate the council's activities from its funding basis to a standardised International Financial Reporting Standard (IFRS) basis. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

Non-Current Assets

The value of total non-current assets has increased from £2.293 billion at 31 March 2024 to £2.373 billion at 31 March 2025 (please see Note 10 Non-Current Assets for details). The valuation of many non-current assets is subject to a wide range of market factors and/or assumptions, particularly where no obvious comparator market or assets exist. The council has also invested in assets via the capital programme which forms part of this movement in value.

Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services. At 31 March 2025, the council's level of borrowing was £422 million - a net increase in the year of £20 million (please see the Balance Sheet).

Investments

At 31 March 2025, the council held investments of £5.4 million (31 March 2024 £28.9 million). This is partly borrowing ahead of planned capital investment. Investments are made by the in-house treasury team and the council's external cash manager. The council 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 (please see Balance Sheet).

Net Pension Asset

The estimated pension asset for future pension payments increased in 2024/25 by £162 million from a £213 million net asset at 31 March 2024 to a £375 million net asset at 31 March 2025. This change is due to changes in the actuarial assumptions. The values included in the council's accounts in relation to post-employment benefits have no effect on the council tax requirement as the asset is offset by an unusable Pensions Reserve (please see Note 25 Defined Benefit Pension Scheme). Note that the liability of the employer (and level of employer contributions to the Pension Fund) are determined by the triennial actuarial pension fund valuation and not by this interim, annual pension fund liability calculation which is only produced for use in the annual Statement of Accounts.

Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2025 that are reasonably certain and can be estimated with reasonable accuracy. Provisions include (please see Note 15 Provisions):

- Voluntary Severance provision – The provision is to meet the costs of expected severance packages resulting from a review of the staffing impacts of approved budget savings. The provision at 31 March 2025 is £1.36 million.
- Insurance provision - The insurance provision is used to cover liabilities under policy excesses and to finance any claims for small risks not insured externally. The council also self-insures some insurance risks from this provision. The level of the provision is informed by independent actuarial assessment of insurance risks. The provision at 31 March 2025 is £4.02 million.
- Business Rates Appeals provision - The council has made provision for its share of the amount that it anticipates being repayable to ratepayers in the future following successful appeals against the rating lists. The provision at 31 March 2025 is £1.47 million.

Reserves

The council holds two categories of reserves:

Unusable Reserves – these reserves derive from accounting adjustments and policies and are not available to the council to use to provide services. They include reserves that hold unrealised gains and losses where amounts would only become available for use if the assets were disposed of. It also includes reserves for timing differences between what is required from a statutory accounting basis to be charged to the General Fund and HRA funds and what is required to be funded from council tax, locally retained non-domestic rates, and general grants. These reserves include the revaluation reserve, pension reserve and the capital adjustment account. The level of unusable reserves as at 31 March 2025 was £1.76 billion (please see Note 9 Unusable Reserves for details).

Usable Reserves – these reserves can be used by the council for investment or to provide services and/or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory or contractual limitations on their use. These reserves include the General Fund and HRA working balance, general reserves, capital reserves relating to capital receipts and capital grants not yet applied and earmarked reserves which have been set aside by the council for specified purposes or future commitments.

The level of General Fund working balance and general reserves held at 31 March 2025 was £8.3 million. The minimum level of working balance and general reserves deemed appropriate by the council's Chief Finance Officer is £9 million, which represents approximately 4% of net budget or 3 weeks council tax income. The level of HRA working balance stands at £11.7 million as at 31 March 2025 which is in excess of the recommended minimum level of balances of £3 million. Please see Note 8 Usable Reserves for details. Usable reserves and provisions are reviewed during the annual budget setting and again during the accounts closure processes to ensure that there is both the ongoing requirement for funds to be set aside and that the levels are adequate and appropriate. The reviews are reported to members as part of the General Fund budget proposals and, following the closure of the accounts, in the provisional outturn report.

Collection Fund

The Collection Fund is a separate fund recording the expenditure and income relating to council tax and non-domestic rates. At 31 March 2025, there was a deficit of £ 7.6 million (31 March 2024 £7.5 million) on the Collection Fund due to the challenging economic conditions and cost of living pressures (please see Collection Fund Statement and Notes).

Brighton & Hove City Council

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Council Overview

Brighton & Hove City Council ("the council") was awarded city status in 2000 and is a south coast unitary authority formed of the merger of two former borough councils covering the geographical area of Brighton and Hove. Brighton & Hove is a thriving city located between the South Downs and the sea. It is home to more than 290,000 people making it England's most populated 'seaside resort'. The city is known for the Royal Pavilion, various visitor attractions, the historic lanes, independent shops, a vast array of pubs, restaurants and clubs, festivals, events, Regency architecture, and an attractive chalk cliff coastline.

Brighton & Hove City Council is a unitary, single-tier authority with responsibility for a range of services including schools and education, social care, housing, libraries, waste collection and disposal, highways management, planning, licensing, and public health.

The council implemented an organisational redesign in January 2025 with the aim of aligning the council to its mission to create 'a better Brighton & Hove for all' and deliver on the organisational design savings agreed at Full Council in February 2024. The redesign included a strategic shift in the council's leadership and operations and moved to a three-directorate structure: Homes and Adult Social Care, Families, Children and Wellbeing and City Operations. Corporate support functions have grouped together under Central Hub. This replaced the four-directorate structure: Corporate Services; City Services; Families, Children and Learning; and Housing, Care and Wellbeing. Service areas were consolidated or realigned to better support the council's new strategy.

The council operates under 'executive arrangements' - a Leader & Cabinet system; this means that the Cabinet (or Executive) is responsible for day-to-day decision making on most services. Cabinet meets eleven times a year. Please see committees, council meeting and decision making for further details.

The council's latest overarching strategy document is the Brighton & Hove City Council plan for 2023 to 2027 (brighton-hove.gov.uk). This sets out the council's vision "A better Brighton & Hove for all" and the council's four outcomes to achieve the vision which are a city to be proud of, a fair and inclusive city, a healthy city where people thrive and a responsive council with well-run services. Please see: Brighton & Hove City Council plan 2023 to 2027 (brighton-hove.gov.uk) for full details. The council plan and its priorities are supported by a range of strategies and workplans which set out in more detail what the council will deliver to achieve its vision; please see How we will deliver the council plan 2023 to 2027 (brighton-hove.gov.uk).

The council has in place a robust performance management framework which includes corporate key performance indicators. Annual targets for a wide range of indicators and progress against these are reported regularly to the Cabinet. The final position for 2024/25 will be reported to the June 2024 meeting of the Cabinet.

The council also has a robust risk management approach as set out in the 2024/25 risk management framework. This was reported to the 28 January 2025 meeting of the Audit, Standards & General Purposes Committee; please see Formal approval of the Risk Management Framework 2024/25 (brighton-hove.gov.uk) for further details. Regular update reports on the council's strategic risk register are also presented to this Committee.

The council's 2024/25 Annual Governance Statement, an annual legally required review of internal controls and governance, will be reviewed and agreed by the Audit, Standards & General Purposes Committee on 24 June 2025.

2024/25 Budget Setting

The 2024/25 budget was set in a continuing unprecedented financial and economic environment. Council Tax, Business Rate Retention and Adult Social Care precept increases, together with additional resources provided by the Autumn Statement, were not sufficient to balance the budget due to the need to provide cover for substantial excess pay award costs and provide for ongoing inflationary pressures and growing demands across critical statutory services such as Adult and Children's social care, homelessness and home-to-school transport.

These significant cost and demand pressures resulted in a budget shortfall (gap) of £30 million in 2024/25; the largest budget shortfall the council had ever seen. This is following fifteen successive budget deficits addressed by the council since 2010. Whilst some of the 2024/25 shortfall could be mitigated by other changes, including changes to the council the tax base (including updating the policy on charging council tax premium on long-term empty homes), significantly reducing capital financing charges through the review of the Capital Investment Programme, and reviewing planned contributions to earmarked reserves, a very substantial package of cuts and savings was inevitably required to achieve a legally balanced budget. The savings package approved totalled £23.730m for 2024/25, almost £10m greater than in the previous financial year, and therefore representing an increased risk of delivery for the council.

The 2024/25 budget included:

- A general Council Tax increase of 2.99%.
- An Adult Social Care Precept increase of 2.00% (the maximum allowed before a local referendum was required).
- A net General Fund budget requirement of £246.353 million
- A substantial capital investment programme of £211.470 million.
- A recommended working balance of £9.000 million (approximately 3.7% of the net budget) to be maintained or replenished over the period of the Medium-Term Financial Strategy.

Further details on the 2024/25 budget can be found in the 2024/25 Budget Report and supporting documents which were approved by Budget Council on 22 February 2024.

2024/25 Outturn

Revenue

The provisional revenue outturn is a £1.091 million underspend on the General Fund revenue budget and a balanced outturn on the Housing Revenue Account. A summary is set out below.

Directorate	2024/25 Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
Families, Children & Wellbeing	72,692	71,630	(1,062)
Homes & Adult Social Care	118,117	120,548	2,431
City Operations	40,814	37,017	(3,797)
Central Hub	30,513	30,470	(43)
Centrally Held Budgets	(56,753)	(55,373)	1,380
Total General Fund	**205,383**	**204,292**	**(1,091)**

The provisional general fund outturn of £1.091 million underspend is an improvement of £4.401 million from month 9 (December), primarily as a result of a significant improvement in City Operations outturn. The outturn follows a challenging year of cost and demand pressures, and the risk of the delivery of savings. This resulted in a significant overspend being forecast, peaking at £10.137 million at Month 2 (May). The provisional underspend was achieved through a number of measures, including the implementation of strict spending and recruitment controls.

Capital

The provisional capital outturn is an underspend of £4.025 million. A summary is set out below:

Directorate	2024/25 Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
Families, Children & Wellbeing	13,434	13,434	0
Homes & Adult Social Care	6,874	6,874	0
City Operations	46,030	46,013	(17)
Central Hub	4,023	3,845	(178)
Housing Revenue Account	74,784	70,954	(3,830)
Total Capital	**145,145**	**141,120**	**(4,025)**

Full details of capital financing are set out in Note 11 Capital Investment and Capital Financing**.**

Further details are provided in the 2024/25 outturn report which will be considered and approved by Cabinet on 26 June 2025.

Additional Government Funding

The council receives temporary additional government funding to support services and the local economy. Please see Note 16 Grants and Contributions.

Cashflow Management

The council regularly reviews its cash flow requirements and approves an annual Treasury Management Policy and Strategy which sets parameters within which the council's cash balances and reserves will be invested. Please see Treasury Management Policy & Strategy 2024/25 (approved by Council on 22 February 2024).

Budget Planning 2025/26 and Beyond

The council continues to operate in an extremely financially challenged environment. Despite setting a balanced budget for 2025/26, there are significant pressures across the organisation, particularly in temporary accommodation and for adults / children's social care placements. These pressures, coupled with a very low level of reserves, mean that the council's financial sustainability is at risk. Financial sustainability is a top priority for the political and managerial leadership of the council, and efforts will be focused throughout 2025/26 on managing our in year financial position, setting a balance budget for 2026/27 and building up our level of reserves.

The Local Government Financial Settlement (LGFS) issued by the new government included a real-terms increase in Local Government 'core spending power' of 4.3% for 2025/26 but was again a one-year settlement but with the prospect of multi-year settlements to follow next year. The LGFS confirmed maximum allowable Council Tax increases of up to 4.99%, including an Adult Social Care precept of 2%, and a Business Rates increase of 1.7% in line with 13 September 2024 CPI. The council's budget proposals for 2025/26 were based on a 4.99% Council Tax increase.

Whilst the Local Government Financial Settlement resulted in a real-terms increase of 4.3%, it still falls significantly short of the increases in costs and demands facing the council, particularly in relation to Special Educational Needs, Home to School Transport, Adult Social Care, Children's Safeguarding and Care, and Homelessness. This is a common picture nationally that is creating severe financial challenges for the majority of councils and which the government recognises. In response, the government has issued a detailed consultation on Local Government Funding Reform and has published the English Devolution White Paper aimed at not only improving local government but also improving its financial sustainability.

The council identified a projected budget shortfall of over £16 million in 2025/26 and almost £61 million over the 4-year period of the Medium-Term Financial Strategy to 2028/29. This inevitably requires some very difficult choices to be made given that the council has a relatively low Working Balance and limited risk provisions to help the position in the short term. This is due to cumulative savings and cuts of over £175 million having been required over the last decade resulting from over £100 million grant reductions under previous governments since 2010 and very significant increases in demands and needs for statutory services such as social care over the same period

The 2024/25 budget included:

- A general Council Tax increase of 2.99%.
- An Adult Social Care Precept increase of 2.00% (the maximum allowed before a local referendum was required).
- A net General Fund budget requirement for 2024/25 of £264.819 million
- A substantial capital investment programme of £246.946 million.
- A recommended working balance of £9.000 million (approximately 3.4% of the net budget) to be maintained or replenished over the period of the Medium-Term Financial Strategy

Further details on the 2025/26 budget can be found in the 2025/26 Budget Report and supporting documents which were approved by Budget Council on 27 February 2025.

International Financial Reporting Standard 16 (IFRS 16) – Leases

The Council adopted IFRS 16 (Leases) with effect from 1 April 2024. The main impact of the requirements of IFRS 16 is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset, and future rents as a liability), a right-of-use asset and a lease liability are now included on the balance sheet from 1 April 2024. The effect of IFRS 16 for lessee leases has been to increase balance sheet non-current assets by £38.381 million, with an equal increase in lease liabilities at 1 April 2024. Further details are provided in Note 17 Leases and Lease Type Arrangements.

With effect from 1 April 2024, IFRS 16 also applies to service concession arrangements i.e. Public-Private Partnerships (PPP) and similar schemes. Under IFRS16, where indexation (or other changes in a rate) affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments. The effect of IFRS 16 for PFI has been to restate the liability as at 1 April 2024 by £13.595 million, with an equal increase in PFI non-current assets at 1 April 2024. Note 18 PFI Initiative Contracts provides further details on PFI contracts

School Balances and Dedicated Schools Grant (DSG) deficits

DSG Deficit

Currently, the government is providing legislation known as the Statutory Override facility that means any deficit associated with the Central DSG is excluded from the council's general fund financial position at the end of a financial year. The regulations require the negative balance (central DSG deficit of £0.680m) be held in an unusable reserve which remains there for the lifetime of the regulations. The override facility is currently due to expire in March 2026, and an announcement is expected where the government will set out their future intentions relating to the Statutory Override. Note 16 Grants and Contributions provides more details on the DSG

School Balances

School balances at the end of 2024/25 are a net deficit of £2.623m, a reduction of £2.904m from the £0.281m net surplus balance at the end of 2023/24. Final school budget plans for 2025/26 are submitted during summer term 2025 and these will incorporate final balances from 2024/25. It is likely that due to the worsening financial position in schools the level of required licensed deficits will increase for 2025/26. The council is working very closely with schools to ensure appropriate measures and steps are being implemented to bring school budgets back to a balanced position in future years. Note 8 Usable Reserves provides more details on School Balances.

Brighton i360

Brighton i360, a 162-meter observation tower on Brighton's seafront, opened on August 4, 2016. To support the building of the Brighton i360, the council agreed to take out a £36 million government loan and pass it on to the developers, Brighton i360 Ltd. The loan was from the Public Works Loans Board (PWLB), a government funding agency who made loans available for major building projects including, at the time, for commercial projects.

The i360 company went into administration in December 2024 as a result of suffering ongoing financial difficulties. At the time of administration, the i360 company owed the council £51.040 million, which included a £4.060 million loan novated from Coast to Capital Local Enterprise Partnership, held as a long-term debtor on the balance sheet. The subsequent sale of the asset by the administrator in February 2025 required the council to sign a deed of release with the buyer, which means that the debt owed by Brighton i360 will be written off. Alongside this, the council has entered into a revenue share agreement with the buyer.

Within the 2024/25 accounts, after applying provisions made against the long-term debtor, the council has, written off the net loss of £8.955 million with the loss being carried on the balance sheet within unusable reserves to be reduced annually by the original schedule of Minimum Revenue Provision (MRP) to 2041/42.

Explanation of Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2025. It comprises core and supplementary statements together with disclosure notes. The Statement of Accounts has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Board.

The four core statements are:

- The **Comprehensive Income and Expenditure Statement (CIES)** which records the council's income and expenditure for the year. The top half of the statement provides an analysis by service area (operating segment). The bottom half of the statement deals with corporate transactions and funding.
- The **Movement in Reserves Statement (MiRS)** is a summary of the changes to the council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific legal or accounting purposes.
- The **Balance Sheet (BS)** is a "snapshot" of the council's assets, liabilities, cash balances and reserves at the year-end date.

- The **Cash Flow Statement** shows the reason for changes in the council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

The two supplementary financial statements are:

- The **Housing Revenue Account (HRA)** – this separately identifies the council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- The **Collection Fund**, which summarises the collection and redistribution of council tax and business rates income for the Brighton and Hove area.

The notes to these financial statements provide further detail about the council's accounting policies and individual transactions. A glossary of key terms can be found at the end of this publication.

Further Information

Further information about the financial statements is available from the Corporate Accounting team located in room 167, Hove Town Hall, Norton Road, Hove, BN3 4AH. In addition, interested members of the public have a statutory right to inspect the financial statements and their availability is advertised on the council's website, www.brighton-hove.gov.uk.

John Hooton ACA (ICAEW)
Interim Director, Property and Finance (Section 151 Officer)

Statement of Responsibilities

The Council's Responsibilities

The council is required to:

(i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council that officer is the Acting Chief Finance Officer.

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

(iii) approve the Statement of Accounts.

The S151 Chief Finance Officer Responsibilities

The council's appointed S151 Chief Finance Officer is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom. The S151 Chief Finance Officer is required to sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the council at the Balance Sheet date and its income and expenditure for the financial year.

In preparing this Statement of Accounts the S151 Chief Finance Officer has:

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

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

(iii) complied with the local authority Code.

The S151 Chief Finance Officer has also:

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

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Brighton & Hove City Council at 31 March 2025 and its income and expenditure for the financial year ended 31 March 2025.

John Hooton ACA (ICAEW) Interim Director, Property and Finance (Section 151 Officer)
Date: 25 November 2025

Certification by Chair

I confirm that this Statement of Accounts was approved (subject to final amendments and audit opinion post conclusion) by the Audit, Standards & General Purposes Committee at a meeting held on 25 November 2025.

Signed on behalf of Brighton & Hove City Council by
Councillor Pete West, Chair, Audit, Standards & General Purposes Committee,
Date: 25 November 2025

Brighton & Hove City Council

Core Financial Statements 2024/25

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) records the council's revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spend focused on local priorities and needs.

Note		Year Ended 31 March 2025			Year Ended 31 March 2024		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
	Families, Children & Wellbeing	394,790	(300,497)	94,293	370,489	(277,355)	93,134
	Homes & Adult Social Care	238,312	(88,914)	149,398	222,432	(83,538)	138,894
	City Operations	160,226	(81,469)	78,757	144,547	(76,624)	67,924
	Central Hub	54,988	(21,067)	33,921	56,918	(18,748)	38,170
	Centrally Held Budgets	117,627	(108,021)	9,606	133,015	(114,440)	18,576
	Housing Revenue Account	94,147	(79,125)	15,022	92,564	(71,309)	21,255
5	**Cost of services**	**1,060,089**	**(679,093)**	**380,996**	**1,019,965**	**(642,013)**	**377,952**
6	(Gain)/loss on the disposal of non-current assets			24,291			4,785
6	Precepts and levies			298			284
	Non-current asset charges to academy schools			172			(464)
	Other operating expenditure			**24,761**			**4,605**
6	Interest payable and premiums			16,055			18,678
25	Net interest on the net defined benefit pension liability			(3,333)			(3,567)
6	Interest receivable and similar income			(4,768)			(10,670)
	Income and expenditure in relation to investment properties			(3,149)			(3,102)
	De-recognition of Financial Asset			8,955			0
10	Changes in the fair value of investment properties			333			6,648
	Financing and investment income and expenditure			**14,093**			**7,987**
	Council tax income (including share of (surplus)/deficit)			(183,179)			(172,048)
	Share of non-domestic rates income (including share of (surplus)/deficit)			(52,771)			(49,422)
	Gain on Lessee Leases with Nil Consideration			(6,038)			0
16	Non ring-fenced government grants			(87,760)			(75,795)
16	Capital grants and contributions			(38,021)			(45,158)
	Taxation and non-specific grant Income and expenditure			**(367,769)**			**(342,423)**
	(Surplus)/deficit on the Provision of Services			**52,082**			**48,122**
9,10	(Surplus)/deficit on revaluation of non-current assets			(32,563)			(50,303)
25	Remeasurements of the net defined benefit liability			9,356			9,467
	Other comprehensive income and expenditure			**(23,206)**			**(40,835)**
	Comprehensive income and expenditure (surplus)/deficit			**28,876**			**7,288**

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in year on reserve balances held by the council. Further details can be found in Note 8 Usable Reserves and Note 9 Unusable Reserves.

2024/25	Balance 1 April £'000	Total Comprehensive Income and Expenditure £'000	Adjustments between accounting basis and funding basis under regulations £'000	Net (increase) / decrease £'000	Balance 31 March £'000
General Fund Reserves	(31,157)	34,876	(31,756)	3,120	(28,037)
Housing Revenue Account Reserves	(11,209)	17,206	(18,840)	(1,635)	(12,844)
Capital Receipts Reserve	(13,590)	0	1,295	1,295	(12,295)
Capital Grants Unapplied Reserve	(5,279)	0	2,355	2,355	(2,924)
Usable Reserves	**(61,235)**	**52,082**	**(46,947)**	**5,135**	**(56,099)**
Capital Adjustment Account	(1,165,262)	0	48,922	48,922	(1,116,340)
Revaluation Reserve	(630,585)	(32,563)	9,262	(23,301)	(653,885)
Deferred Capital Receipts Reserve	(6,105)	0	25	25	(6,080)
Pooled Investment Funds Adjustment Account	805	0	(89)	(89)	716
Accumulated Absences Account	5,045	0	105	105	5,150
Financial instruments Adjustment account	9,100	0	(219)	(219)	8,881
Collection Fund Adjustment Account	4,244	0	361	361	4,605
Dedicated Schools Grant Adjustment Account	0	0	680	680	680
Pensions Reserve	22,864	9,356	(12,100)	(2,744)	20,120
Unusable Reserves	**(1,759,896)**	**(23,206)**	**46,947**	**23,741**	**(1,736,153)**
Total Reserves	**(1,821,131)**	**28,876**	**0**	**28,876**	**(1,792,252)**

2023/24	Balance 1 April £'000	Total Comprehensive Income and Expenditure £'000	Adjustments between accounting basis and funding basis under regulations £'000	Net (increase) / decrease £'000	Balance 31 March £'000
General Fund Reserves	(36,981)	30,853	(25,029)	5,824	(31,157)
Housing Revenue Account Reserves	(12,307)	17,269	(16,171)	1,097	(11,209)
Capital Receipts Reserve	(16,209)	0	2,619	2,619	(13,590)
Capital Grants Unapplied Reserve	(5,677)	0	397	397	(5,279)
Usable Reserves	**(71,173)**	**48,122**	**(38,184)**	**9,938**	**(61,235)**
Capital Adjustment Account	(1,209,988)	0	44,725	44,725	(1,165,262)
Revaluation Reserve	(583,205)	(50,303)	2,922	(47,380)	(630,585)
Deferred Capital Receipts Reserve	(6,115)	0	9	9	(6,105)
l Investment Funds Adjustment Account	1,107	0	(302)	(302)	805
Accumulated Absences Account	4,871	0	174	174	5,045
ıancial instruments Adjustment account	9,375	0	(275)	(275)	9,100
Collection Fund Adjustment Account	2,413	0	1,830	1,830	4,244
Pensions Reserve	24,296	9,467	(10,899)	(1,432)	22,864
Unusable Reserves	**(1,757,244)**	**(40,835)**	**38,184**	**(2,651)**	**(1,759,896)**
Total Reserves	**(1,828,417)**	**7,287**	**(0)**	**7,287**	**(1,821,131)**

Balance Sheet

The balance sheet shows the values of assets and liabilities held by the council. The net assets are matched by the reserves. The reserves are presented in two categories, usable and unusable. Usable reserves may be used to fund services subject to statutory limitations on their use and the need to maintain a prudent level of reserves for financial stability. Unusable reserves cannot be used to fund services. More details of the values shown in the balance sheet can be found in the notes to the accounts.

	Note	31 March 2025 £'000	31 March 2024 £'000
Property, plant and equipment	10	2,022,799	1,972,714
Heritage assets	10	286,890	259,536
Investment property	10	49,592	49,796
Long term intangible assets	10	13,957	11,060
Long term investments	12	5,478	5,161
Long term debtors	13	14,131	22,486
Long Term Assets		**2,392,848**	**2,320,753**
Short term investments	12	(0)	23,768
Inventories		781	897
Short term debtors	13	79,461	79,086
Cash equivalents		27,670	59,748
Short term assets held for sale	10	0	340
Current Assets		**107,912**	**163,839**
Bank overdraft		(2,063)	(783)
Short term borrowing	12	(38,388)	(47,522)
Short term creditors	14	(124,989)	(105,246)
Revenue grants and contributions receipts in advance	16	(17,895)	(23,595)
Short term provisions	15	(806)	(1,081)
Current Liabilities		**(184,140)**	**(178,227)**
Long term provisions	15	(7,022)	(8,108)
Long term borrowing	12	(383,577)	(354,278)
Capital grants and contributions receipts in advance	16	(69,221)	(69,678)
Other long term liabilities		(44,426)	(30,306)
Pension Scheme Liabilities	25	(20,120)	(22,864)
Long Term Liabilities		**(524,365)**	**(485,234)**
Net Assets		**1,792,255**	**1,821,131**
Usable reserves	8	(56,100)	(61,235)
Unusable reserves	9	(1,736,155)	(1,759,896)
Total Reserves		**(1,792,255)**	**(1,821,131)**

Note: Revenue grants and contributions have been split out from short term creditors on the balance sheet; please refer to note 16 for further details on these grants and contributions.

The unaudited Statement of Accounts was authorised for issue on 25 November 2025 by the Interim Director, Property and Finance (Section 151 Officer) John Hooton ACA (ICAEW).

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as relating to operating, investing, or financing activities.

Note		2024/25 £'000	2023/24 £'000
5	**Net Surplus / (Deficit) on the provision of services**	**(58,120)**	**(48,122)**
7,9,10	Non-current asset charges - depreciation, amortisation, revaluation and impairment	111,635	105,019
14	Increase/(decrease) in creditors	(2,818)	(10,375)
13	(Increase)/decrease in debtors	(6,167)	(2,472)
25	Movement in the pension liability (element charged to the surplus/deficit on the provision of services)	(12,100)	(10,899)
	Carrying amount of non-current asset disposals	29,704	10,082
	Impairment Loss on Financial Asset	8,955	14,807
	Non-cash movements on investments	0	36,000
	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,246)	677
	Adjustment to surplus/(deficit) on the provision of services for non-cash movements	**127,964**	**142,839**
	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,457)	(5,311)
16	Capital grants applied to the surplus/deficit on provision of services	(40,982)	(48,684)
	Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	**(46,440)**	**(53,995)**
	Net Cash Flows from Operating Activities	**23,404**	**40,721**
10,11	Purchase of non-current assets	(134,083)	(138,447)
12	Purchase of short and long term investments	(5,440)	(82,500)
12	Proceeds from short and long term investments	28,000	104,000
	Proceeds from the disposal of non-current assets	5,457	5,232
	Capital grants received	48,407	47,000
	Other (payments) / receipts for investing activities	(1,474)	1,097
	Net Cash Flows from Investing Activities	**(59,132)**	**(63,618)**
	Cash receipts of short and long term borrowing	107,500	23,000
	Billing authorities - council tax and non-domestic rates adjustments	(1,687)	5,167
18	Reduction of outstanding PFI Liabilities	(19,232)	(3,515)
	Repayment of short term and long term borrowing	(84,210)	(27,439)
	Net Cash Flows from Financing Activities	**2,371**	**(2,787)**
	Net Increase/(Decrease) in Cash and Cash Equivalents	**(33,357)**	**(25,684)**
	Bank current accounts	(783)	(1,917)
	Short term deposits	59,748	86,566
	Cash and Cash Equivalents as at 1 April	**58,965**	**84,649**
	Bank current accounts	(2,063)	(783)
	Short term deposits	27,670	59,748
	Cash and Cash Equivalents as at 31 March	**25,608**	**58,965**
	Movement in cash and cash equivalents	**(33,357)**	**(25,684)**

Notes to the Financial Statements

1. Accounting Policies (summary)

General Principles

The Accounts and Audit Regulations 2015 (SI 2015 No 234 as amended) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2024/25, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) supported by International Financial Reporting Standards (IFRS)
- the Service Reporting Code of Practice 2024/25 (SeRCoP).

The Statement of Accounts has been prepared on a 'going concern' basis. 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 **detailed accounting policies** are set out at the end of this document.

2. Accounting Standards issued but not yet Adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2025/26:

a) *IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)* was issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

b) IFRS 17 Insurance Contracts was issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

c) The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8 Accounting Policies, Changes in Accounting Estimates and Error. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.

It is likely there will be limited application by local authorities of items a) and b), therefore it is anticipated that this will have no impact on the council's financial statements.

Following the publication of the audited financial statements, the council will undertake work to implement c) above. The council currently values a significant proportion on its non-current assets annually; it is difficult without further work to quantify the impact of this change for the 2025/26 financial statements.

3. Critical Judgements and Assumptions Made

In preparing the financial statements, the council has had to make judgements, estimates and assumptions that affect the application of policies and reported levels of assets, liabilities, income, and expenses. The 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. Estimates and underlying assumptions are regularly reviewed by the council.

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors that are considered to be reasonable. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the council's most difficult, subjective, or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Critical judgements in applying accounting policies

Voluntary Aided Schools: The council has determined that the buildings relating to voluntary aided schools do not meet the definition criteria of control under IAS 16 Property, Plant and Equipment; properties are owned by the diocese and each school occupies the premises under a licence with no interest being passed to the council. The council does not have sufficient control over the property to meet the definition criteria of an asset and therefore does not recognise the assets on its balance sheet.

Brighton & Hove Seaside Community Homes Ltd: The council has exercised judgement over the existence of a group relationship / joint arrangement between the company and the council based on the definition of control and associated tests set out in the relevant reporting standards. The council's main exercise of judgement is in relation to these tests and whether the council has the power to control the company, its exposure or rights to variable returns and the ability to affect the company's returns. The council has concluded that the arrangement does not meet the financial reporting definition for group / joint arrangements.

Homes for the City of Brighton and Hove LLP: The council has exercised judgement over the existence of a group relationship / joint arrangement between the company and the council based on the definition of control and associated tests set out in the relevant reporting standards. The council has concluded that the arrangement does meet the financial reporting definition for group / joint arrangements as the interest is not considered material at the balance sheet date and therefore group accounts have not been produced.

Fixed Asset Accounting: The Code section 4.1.3.2 states that "*On a revalued asset, a transfer between the revaluation reserve and capital adjustment account shall be carried out that represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.*" There have been some erroneous adjustments which have impaired/reduced the historic cost of certain assets in the council's fixed asset register. This has resulted in overstatement of the transfer between the Revaluation Reserve and Capital Adjustment Account for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost. As it is unclear what has caused the error in the historic cost, this has resulted in there being a material uncertainty in the accuracy of the total adjustment between the Revaluation Reserve and the Capital Adjustment Account. The council is committed to developing a plan to resolve the estimation uncertainty issue; however, at this stage the time frame for doing so is unknown.

This adjustment impacts only the Revaluation Reserve and the Capital Adjustment account in the Unusable Reserves, meaning that the material uncertainty is limited to the value that these reserves are stated at within the Movement in Reserves Statement and Note 9 Unusable Reserves. This error in the historic cost does not impact the asset valuations, depreciation charge or depreciation written out on revaluation accounting entries, and therefore the issue is not considered to be pervasive or fundamental to the users' understanding of the financial statements.

Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability (asset)	Estimation of the net pension liability (asset) 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. The council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied and the estimate of pension fund assets / liabilities including asset ceiling considerations. The underlying assumptions and the application of the asset ceiling are set out in Note 25 Defined Benefit Pensions Schemes. Changes in these assumptions can have a significant effect on the value of the council's retirement benefit obligation.	The effects on the net pension liability (asset) of changes in individual assumptions can be measured. The council's net liability for future pension payments, after the asset ceiling adjustment and as estimated by the pension fund actuary, is £20.120 million 31 March 2025 (compared to a £22.864 million net liability 31 March 2024). The sensitivities regarding the principal assumptions made by the actuaries are set out in Note 25 Defined Benefit Pensions Schemes.
Property, Plant and Equipment (PPE)	The balance sheet value is highly sensitive to estimates of value. The council engages appropriately qualified valuers to value land and property assets. Asset valuations are based on current value and are periodically reviewed to ensure that the council does not materially misstate its non-current assets. The council's external valuers provided	The net book value of other land and buildings operational assets subject to potential revaluation is £736.416 million as at 31 March 2025. A reduction in the estimated valuations of those assets would result in reductions to the

Item	Uncertainties	Effect if actual results differ from assumptions
	valuations at 31 March 2025 for approximately 75% of the value of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The council's valuers use a combination of methodologies to value operational assets. This includes Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and comparable methods. These methods can cause estimation uncertainty due to the indices and inputs (such as floor area) that must be used to apply valuations. Assets are depreciated over useful lives that are dependent on assumptions such as the repairs and maintenance that will be incurred in relation to the individual assets and the length of service potential of the asset. The current economic climate brings potential uncertainty about the level of spend on repairs and maintenance, bringing into doubt the useful lives assigned to assets. More details are set out in [Note 10 Non-Current Assets.](#)	Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The council depreciated its other land and building assets by £33.169 million during 2024/25. If significant revaluation increases or impairments were experienced there is a risk that the charge for depreciation to reflect the economic consumption of the asset may be over or under stated.
Valuation of HRA dwellings	The HRA residential portfolio is valued based on a beacon methodology, with a 33% EUV-SH (social housing) factor applied, which is the standardised Department for Levelling up, Housing and Communities rate for the South East. The current value of the stock (at 33%) is £1.050 billion. In order to value the whole portfolio, it was necessary to research a number of sources, including other agents and valuers' advice, the Land Registry, and other databases available to the council's valuers. In addition to this information the current economic overview is considered,	The net book value of council dwellings subject to potential revaluation is £1,028 million. A reduction in the estimate value of those assets would result in a reduction to the revaluation reserve or a loss in the CIES.

Item	Uncertainties	Effect if actual results differ from assumptions
	in particular taking into account inflation relating to residential properties.	
Impairment of Financial Assets	The council provides for the impairment of its receivables based on the age and type of each debt. The percentages applied reflect an assessment of the recoverability of debt. The total allowance for impairment of receivables (including the Collection Fund) provided for at 31 March 2025 is £54.690 million. It is not certain that this impairment allowance would be sufficient as the council cannot assess with certainty which debts will be collected or not. The economic impact of high inflation and cost of living crisis has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts. The council also reviews all other (non-service) debt and provides for Expected Credit Losses (ECL). The total ECL provided for at 31 March 2025 is £15.797 million. Please refer to Note 13 Debtors and Note 12 Financial Instruments for further details on short term and long term debtors	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered. Any understatement of the ECL would need to be reflected in the impairment of the associated non-service debtors.

4. Events after the Reporting Period

There are no significant local post balance sheet events which might impact on the council's financial statements or financial status.

5. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the council has used available funding for the year (i.e. government grants, rents, council tax and business rates) in providing services, in comparison with those resources that the council has consumed or earned in accordance with generally accepted accounting practices. It also shows how the council has allocated this expenditure for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented in detail in the Comprehensive Income and Expenditure Statement.

	2024/25				
	As reported for resource management	Adjustments to arrive at expenditure charged to GF and HRA balances	Expenditure chargeable to the GF and HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000
Families, Children & Wellbeing	71,630	16,721	88,351	5,942	94,293
Homes & Adult Social Care	120,548	12,057	132,605	16,793	149,398
City Operations	37,017	1,289	38,306	40,451	78,757
Central Hub	30,470	(1,087)	29,383	4,538	33,921
Centrally Held Budgets	(55,373)	65,027	9,654	(48)	9,606
Housing Revenue Account	(24,849)	20,761	(4,088)	19,110	15,022
Net Cost of Services	**179,443**	**114,769**	**294,211**	**86,785**	**380,996**
Other Income and Expenditure/Financing	(179,443)	(113,283)	(292,726)	(36,189)	(328,915)
(Surplus)/Deficit on Provision of Services	**0**	**1,486**	**1,486**	**50,596**	**52,082**

Note: There was an organisational restructure in 2024/25 however the comparative figures for this note have not been restated. See Note 30 Organisation Restructure for further details.

	2023/24				
	As reported for resource management	Adjustments to arrive at expenditure charged to GF and HRA balances	Expenditure chargeable to the GF and HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000
Families, Children & Learning	60,155	6,931	67,087	12,591	79,678
Health & Adult Social Care	103,692	22,665	126,357	187	126,544
Economy, Environment & Culture	34,133	4,411	38,545	37,381	75,926
Housing, Neighbourhoods & Communities	19,326	4,169	23,495	(793)	22,702
Governance, People & Resources	32,453	(1,369)	31,084	2,277	33,360
Corporately-held Budgets	(11,682)	29,846	18,163	412	18,576
Housing Revenue Account	(22,453)	26,261	3,808	17,447	21,255
Net Cost of Services	**215,624**	**92,914**	**308,539**	**69,502**	**378,041**
Other Income and Expenditure/Financing	(215,624)	(85,994)	(301,618)	(28,301)	(329,919)
(Surplus)/Deficit on Provision of Services	**0**	**6,921**	**6,921**	**41,201**	**48,122**

Note: the comparative figures for 2023/24 are based on the previous organisational structure for that year as the council did not start reporting its resources position in the new organisational format until 2025.

The column adjustments to arrive at the expenditure charged to the General Fund (GF) and Housing Revenue Account (HRA) shows the differences and adjustment between the outturn as reported for management accounting/performance monitoring purposes and the expenditure chargeable to the GF and HRA on the funding basis as stipulated by the Code.

	2024/25				2023/24			
	Opening Balance	(Surplus)/Deficit on Provision of Services	Closing Balance	Memorandum: Transfer (to)/from working balances per resource	Opening Balance	(Surplus)/Deficit on Provision of Services	Closing Balance	Memorandum: Transfer (to)/from working balances per resource
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Working Balance	(8,203)	(48)	(8,251)	(1,092)	(8,753)	550	(8,203)	(2,269)
General Fund Earmarked Reserves	(22,954)	3,168	(19,786)	0	(28,228)	5,274	(22,954)	0
Housing Revenue Account Working Balance	(4,120)	(7,537)	(11,657)	0	(4,169)	48	(4,120)	0
Housing Revenue Account Earmarked Reserves	(7,089)	5,902	(1,187)	0	(8,138)	1,049	(7,089)	0
Total Reserves	**(42,366)**	**1,486**	**(40,880)**	**(1,092)**	**(49,287)**	**6,921**	**(42,366)**	**(2,269)**

Adjustments from the General Fund/Housing Revenue Account to arrive at the Comprehensive Income and Expenditure Statement amounts.

	2024/25			
	Adjustments for Capital Purposes	Net Change for Pensions Adjustment	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Families, Children & Wellbeing	8,898	(3,070)	114	5,942
Homes & Adult Social Care	17,864	(1,101)	30	16,793
City Operations	41,925	(1,371)	(102)	40,451
Central Hub	5,431	(901)	8	4,538
Centrally Held Budgets	(48)	0	0	(48)
Housing Revenue Account	19,752	(615)	(27)	19,110
Net Cost of Services	**93,821**	**(7,059)**	**23**	**86,785**
Other Income and Expenditure/Financing	(31,963)	(5,041)	815	(36,189)
Difference between General Fund/HRA surplus/deficit and the CIES surplus/deficit on Provision of Services	**61,859**	**(12,100)**	**838**	**50,596**

	2023/24			
	Adjustments for Capital Purposes	Net Change for Pensions Adjustment	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Families, Children & Learning	14,706	(2,233)	118	12,591
Health & Adult Social Care	922	(786)	51	187
Economy, Environment & Culture	38,363	(987)	5	37,381
Housing, Neighbourhoods & Communities	(490)	(312)	9	(793)
Governance, People & Resources	2,979	(698)	(4)	2,277
Corporately-held Budgets	468	(56)	(0)	412
Housing Revenue Account	**18,026**	**(451)**	**(129)**	**17,447**
New Departments	0	0	0	0
Net Cost of Services	**74,974**	**(5,523)**	**50**	**69,502**
Other Income and Expenditure/Financing	(24,301)	(5,376)	1,376	(28,301)
Difference between General Fund/HRA surplus/deficit and the CIES	**50,673**	**(10,899)**	**1,426**	**41,201**

Note: the comparative figures for 2023/24 are based on the previous organisational structure for that year as the council did not start reporting its resources position in the new organisational format until 2025.

Explanatory Notes

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line. For other operating expenditure, it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. For financing and investment income and expenditure, it adjusts for the statutory charges for capital financing and investment i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. For taxation and non-specific grant income and expenditure, capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those which were receivable in the year to those which were receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the Pensions Adjustment

This column adjusts for the net change for the renewal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income. For services, this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure, this adjusts for the net interest on the defined benefit liability which is charged to the Comprehensive Income and Expenditure Statement.

Other differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For services, this represents removal of the annual leave accrual adjustment. For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

6. Expenditure and Income Analysed by Nature

The council's expenditure and income subjectively analysed as follows:

	2024/25	2023/24
	£'000	£'000
Employee expenses	344,497	331,231
Employee benefits of Voluntary Aided Schools	37,665	34,476
Other service expenses	536,382	551,857
Depreciation, amortisation and impairments	105,597	105,018
Interest payable	16,055	18,678
De-recognition of Financial Asset	35,481	0
Precepts and levies	298	284
Total Expenditure	**1,075,975**	**1,041,544**
Fees, charges and other service income	(262,754)	(246,553)
Rents - Investment Properties	(3,149)	(3,102)
Net Loss/(Gain) on disposal of non-current assets	24,291	4,785
Interest receivable	(4,768)	(10,670)
Income from Council Tax/Non-Domestic Rates	(235,950)	(221,470)
Government grants and contributions	(541,562)	(516,412)
Total Income	**(1,023,893)**	**(993,422)**
(Surplus)/Deficit on the Provision of Services	**52,082**	**48,122**

Note: Rents on Investment Properties have been split out from Fees, charges, and other service income

Fees, charges and other service income (income received from external customers) is analysed by directorate (service) area in the next table.

	£'000	£'000
Families, Children & Wellbeing	(26,419)	(22,273)
Homes & Adult Social Care	(66,802)	(61,656)
City Operations	(71,508)	(68,975)
Central Hub	(15,639)	(14,972)
Centrally Held Budgets	(3,293)	(7,560)
Housing Revenue Account	(79,094)	(71,117)
Total Income from External Customers	**(262,754)**	**(246,553)**

Note: the 2023/24 comparative figures have been restated based on the new organisational structure.

IFRS15 Revenue from contracts with customers

Of the £262.754 million of income from fees, charges, and other service income, £157.694 million of this is income from contracts with customers. The balance of £105.060 million is outside the scope of this reporting standard and includes, for example, housing rents, commercial rents and car parking penalties.

7. Adjustments between Accounting Basis and Funding Basis under Regulation

The resources available to the council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases.

2024/25	General Fund £'000	HRA £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total £'000
Pension costs (transferred to/(from) the Pensions Reserve)	11,216	885	0	0	0	**12,100**
Financial instruments (transferred to/(from) the Financial Instruments Adjustment Account)	226	82	0	0	0	**308**
Council tax and NDR (transferred to/(from) the Collection Fund Adjustment Account)	(361)	0	0	0	0	**(361)**
Employees' paid absences (transferred to the Accumulated Absences Account)	(50)	(55)	0	0	0	**(105)**
Dedicated Schools Grant Deficits (transferred to/(from) the Dedicated Schools Grant Adjustment Account)	(680)	0	0	0	0	**(680)**
Reversals of entries included in the CIES in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(102,718)	(28,950)	0	(16,268)	0	**(147,936)**
Adjustments to Revenue Resources	**(92,367)**	**(28,038)**	**0**	**(16,268)**	**0**	**(136,674)**
Non-current asset sale proceeds	2,369	3,088	(5,457)	0	0	**0**
Statutory and voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account)	29,718	0	0	0	0	**29,718**
Capital expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	1,589	1,654	0	0	0	**3,242**
Gain on Lessee Leases with Nil Consideration	6,038	0	0	0	0	**6,038**
Loss on de-recognition of financial asset - i360	(8,955)	0	0	0	0	**(8,955)**
Use of capital receipts to fund voluntary severance costs	(6,649)	0	6,649	0	0	**0**
Adjustments between Revenue and Capital Resources	**24,110**	**4,742**	**1,191**	**0**	**0**	**30,043**
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	104	0	0	**104**
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	16,268	0	**16,268**
Application of capital grants to finance capital	36,526	4,456	0	0	2,355	**43,337**
Cash payments in relation to deferred capital receipts	(25)	(0)	0	0	0	**(25)**
Adjustments to Capital Resources	**36,502**	**4,456**	**104**	**16,268**	**2,355**	**59,684**
Total Adjustments	**(31,756)**	**(18,840)**	**1,295**	**0**	**2,355**	**(46,947)**

2023/24	General Fund £'000	HRA £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total £'000
Pension costs (transferred to/(from) the Pensions Reserve)	10,158	741	0	0	0	**10,899**
Financial instruments (transferred to/(from) the Financial Instruments Adjustment Account)	454	124	0	0	0	**578**
Council tax and NDR (transferred to/(from) the Collection Fund Adjustment Account)	(1,830)	0	0	0	0	**(1,830)**
Employees' paid absences (transferred to the Accumulated Absences Account)	(179)	5	0	0	0	**(174)**
Impairment of Financial Assets	(14,807)	0	0	0	0	**(14,807)**
Reversals of entries included in the CIES in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(72,626)	(31,662)	0	(16,085)	0	**(120,373)**
djustments to Revenue Resources	**(78,831)**	**(30,792)**	**0**	**(16,085)**	**0**	**(125,707)**
Non-current asset sale proceeds	836	4,476	(5,311)	0	0	**0**
Statutory and voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account)	12,616	0	0	0	0	**12,616**
Capital expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	1,909	3,729	0	0	0	**5,638**
ipts to fund voluntary severance costs	(3,818)	0	3,818	0	0	**0**
Adjustments between Revenue and Capital Resources	**11,543**	**8,205**	**(1,494)**	**0**	**0**	**18,254**
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	4,113	0	0	**4,113**
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	16,085	0	**16,085**
Application of capital grants to finance capital expenditure	42,268	6,416	0	0	397	**49,081**
in relation to deferred capital receipts	(9)	(0)	0	0	0	**(9)**
Adjustments to Capital Resources	**42,259**	**6,416**	**4,113**	**16,085**	**397**	**69,269**
Total Adjustments	**(25,029)**	**(16,171)**	**2,619**	**0**	**397**	**(38,184)**

Note the comparative figure for Reversals of entries included in the CIES in relation to capital expenditure (these items are charged to the Capital Adjustment Account) has been restated to separate out impairment of Financial Assets as it was included incorrectly.

8. Usable Reserves (Earmarked Reserves)

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies.

	Balance 31 March 2023 £'000	Transfers To £'000	Transfers From £'000	Balance 31 March 2024 £'000	Transfers To £'000	Transfers From £'000	Balance 31 March 2025 £'000
General Fund Reserves							
Collection Fund Section 31 Grants Adjustment Reserve	(1,171)	(163)	1,204	(130)	(1,156)	295	(991)
Brighton i360 Reserve	0	0	0	0	0	0	0
Local Management of Schools Reserves	(4,541)	0	4,259	(282)	0	2,905	2,623
PFI Reserves	(8,172)	(759)	330	(8,601)	(1,249)	178	(9,671)
Other General Fund earmarked reserves	(5,314)	(742)	629	(5,428)	(3,255)	2,036	(6,646)
City Deal New England House Development Reserve	(108)	0	108	(0)	0	0	(0)
Revenue Grants Carry Forward Reserve	(5,596)	(6,152)	5,595	(6,152)	(2,573)	6,152	(2,574)
Brighton Centre Redevelopment Reserve	(852)	(195)	1,042	(5)	(0)	5	(0)
Departmental Carry Forwards	(2,317)	(1,751)	2,317	(1,751)	(1,709)	1,751	(1,709)
Capital Reserves	(129)	(779)	350	(558)	(692)	559	(691)
Restructure Redundancy Reserve	(28)	(83)	57	(54)	(80)	8	(126)
General Fund Balance - held for specific future commitments	(2,773)	(913)	1,463	(2,579)	(1,761)	1,713	(411)
General Fund g Balance - General Reserves	(5,980)			(5,624)			(7,840)
Total General Fund Reserves	**(36,981)**	**(11,537)**	**17,355**	**(31,164)**	**(12,475)**	**15,602**	**(28,036)**
HRA Reserves							
Capital Reserves	(680)	0	680	0	0	0	0
Other HRA earmarked reserves	(7,458)	(65)	434	(7,089)	0	5,902	(1,187)
Housing Revenue Account Working Balance	(4,169)	0	48	(4,121)	0	(7,536)	(11,657)
Total HRA Reserves	**(12,307)**	**(65)**	**1,162**	**(11,210)**	**0**	**(1,634)**	**(12,844)**
Other Usable Reserves							
Capital Receipts Reserve	(16,209)	(6,281)	8,901	(13,590)	(14,312)	15,606	(12,295)
Capital Grants Unapplied Reserve	(5,677)	(587)	984	(5,280)	(3,835)	6,190	(2,925)
Total Usable Reserves	**(71,174)**	**(18,470)**	**28,402**	**(61,243)**	**(30,622)**	**35,764**	**(56,100)**

The single largest movement in the reserves (a decrease of £2.905 million) is for the Local Management of Schools; further details are provided below.

The Collection Fund Section 31 Grants Adjustment reserve which holds, at 31 March 2025, the balance of Section 31 compensation grants paid over by government to be utilised against the funded collection fund balance in 2025/26. This is a timing reserve. It is a combination of the final year funding of the 3-year spread of the 2020/21 deficit and additional grant due for a shortfall in business rates income both to be funded in 2025/26. It does not represent additional resources available to the council.

Local Management of Schools Reserve

The Local Management of Schools Reserve holds the school's balances under a scheme of delegation. These balances are used solely to provide education to the pupils of that school.

School balances at the end of 2024/25 are a net deficit of £2.623m, a reduction of £2.904m from the £0.281m net surplus balance at the end of 2023/24. Final school budget plans for

2025/26 are submitted during summer term 2025 and these will incorporate final balances from 2024/25. It is likely that due to the worsening financial position in schools the level of required licensed deficits will increase for 2025/26. The council is working very closely with schools to ensure appropriate measures and steps are being implemented to bring school budgets back to a balanced position in future years.

	Balance 1 April 2024 £'000	Unspent Balance £'000	Overspent Balance £'000	Balance 31 March 2025 £'000
Nursery schools	(24)	176	(13)	163
Primary schools	1,143	1,191	(3,856)	(2,665)
Secondary schools	(2,048)	2,516	(2,911)	(395)
Special schools	649	274	0	274
Total Reserves	**(281)**	**4,156**	**(6,779)**	**(2,623)**

9. Unusable Reserves

Unusable reserves are held to manage accounting processes and do not represent usable resources for the council.

	2024/25 £'000	2023/24 £'000	Change £'000
Revaluation Reserve	(653,886)	(630,585)	(23,301)
Capital Adjustment Account	(1,116,340)	(1,165,262)	48,922
Deferred Capital Receipts Reserve	(6,080)	(6,105)	25
Pooled Investment Funds Adjustment Account	715	805	(90)
Accumulated Absences Account	5,150	5,045	105
Financial Instruments Adjustment Account	8,881	9,100	(219)
Collection Fund Adjustment Account	4,604	4,244	360
Dedicated Schools Grant Adjustment Account	680	0	680
Pensions Reserve	20,120	22,864	(2,744)
Total Unusable Reserves	**(1,736,155)**	**(1,759,896)**	**23,741**

Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the value of property, plant, and equipment. The balance on the reserve is reduced when assets with accumulated gains are revalued downwards or impaired (gains lost), used in the provision of services and (gains consumed via depreciation) or disposed of (gains realised). The reserve was created on 1 April 2007.

	2024/25 £'000	2023/24 £'000
Balance 1 April	**(630,585)**	**(583,205)**
Upward revaluation of non-current assets	(95,256)	(82,283)
Downward revaluation and impairment of non-current assets	62,693	31,980
Other Comprehensive Income and Expenditure	**(32,563)**	**(50,303)**
Difference between fair value and historic cost depreciation	12,521	8,250
Accumulated gains on non-current assets disposals	(3,260)	(5,327)
Adjustments between accounting basis and funding basis under regulation	**9,262**	**2,922**
Balance 31 March	**(653,886)**	**(630,585)**

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The CAA also contains accumulated gains and losses on property, plant, and equipment before 1 April 2007.

	2024/25	2023/24
	£'000	£'000
Balance 1 April	**(1,165,264)**	**(1,209,988)**
Charges for depreciation of non-current assets	73,114	64,569
Impairment (gain) / losses on Financial Assets	0	14,807
Revaluation losses on non-current assets	41,554	53,364
Upward revaluations reversing previous revaluation losses on non-current assets	(6,975)	(22,468)
Impairment losses on non-current assets	959	0
Amortisation of intangible assets	2,650	2,902
Revenue expenditure funded from capital under statute	6,597	5,274
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	29,704	10,082
Adjusting amounts written out to the revaluation reserve	(9,261)	(2,922)
Use of the capital receipts reserve to finance new capital investment	(8,124)	(4,113)
Use of the HRA balance to finance new capital investment	(546)	0
Use of the major repairs reserve to finance new capital investment	(16,268)	(16,085)
Capital grants and contributions credited to the CIES that have been applied to capital funding	(40,184)	(48,259)
Application of grants to capital financing from the capital grants unapplied account	(3,153)	(822)
Statutory provision for the financing of capital investment charged against the GF and HRA balances	(21,560)	(5,843)
Voluntary provision for the financing of capital investment charged against the GF and HRA balances	(8,158)	(6,773)
Capital investment charged against the GF and HRA balances	(347)	(2,907)
Movements in the market value of investment properties debited/(credited) to the CIES	333	6,650
Gain on Lessee Leases with Nil Consideration	(6,038)	0
Loss on de-recognition of financial asset - i360	8,955	0
Transfer to Capital Receipts Reserve re assets transferred from General Fund to HRA	8,020	0
Use of earmarked reserves to finance new capital investment	(2,349)	(2,730)
Balance 31 March	**(1,116,340)**	**(1,165,264)**

Deferred Capital Receipts Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these as usable for financing new capital investment until the payments (capital receipts) are received. The balance of this reserve at 31 March 2025 is £6.080 million.

Pooled Investment Funds Adjustment Account

The pooled investment funds adjustment account is a mechanism that is required by the capital finance and accounting regulations in England and Wales to hold the fair value movements in those pooled investment funds specified by the regulations. The difference between the amount charged or credited in the year to surplus or deficit on the provision of services in accordance with the Code and the amount charged or credited to the General Fund in accordance with regulations should be debited or credited to the General Fund balance with the double entry going to the pooled investment funds adjustment account such that the General Fund is charged or credited with the amount that accords with the applicable regulations. The balance of this reserve at 31 March 2025 is £0.715 million.

Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise from accruing for employees' paid absences earned but not taken in the financial year (e.g. the value of annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact is neutralised by transfers to/or from the accumulated absences account. The balance of this reserve at 31 March 2025 is £5.150 million.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in line with statutory provisions. The balance of this reserve at 31 March 2025 is £8.881 million.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the CIES as it falls due from council taxpayers and business rate payers compared with the statutory arrangements for transferring amounts to the General Fund from the Collection Fund.

	2024/25	2023/24
	£'000	£'000
Balance 1 April	**4,244**	**2,413**
Amount by which council tax and non domestic rates income credited to the CIES is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	361	1,830
Balance 31 March	**4,604**	**4,244**

Dedicated Schools Grant Adjustment Account

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 established that where a local authority has a deficit on its schools' budget, the authority must not charge any such deficit to its revenue account (including cumulative deficits incurred before the regulations were established). Instead, the regulations provide that a local authority must charge any such deficit to a separate account, established and usable solely for that purpose; this being the Dedicated Schools Grant Adjustment Account. The balance of this reserve at 31 March 2025 is £0.680 million. Note 16 – Grants and Contributions provides more detail on the Dedicated Schools Grant.

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 Council accounts for post-employment benefits in the CIES. As the benefits are earned by employees, the assets/liabilities are updated to recognise inflation and the assumptions that change in light of investment returns. Statutory requirements are that benefits earned should be financed as the council makes employer's contributions to the pension funds or pays any pensions for which it is directly responsible. The 31 March 2025 balance on the Pensions Reserve shows a deficit in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements in place will ensure that pension fund funding will match pension fund liabilities by the time the benefits come to be paid.

	2024/25	2023/24
	£'000	£'000
Balance as at 1 April	**22,864**	**24,296**
Remeasurements of the net defined benefit liability	9,356	9,467
Reversal of items relating to retirement benefits charged to the surplus / deficit on the provision of services	32,180	29,524
Employer's pensions contributions payable	(44,280)	(40,423)
Balance as at 31 March	**20,120**	**22,864**

10. Non-Current Assets

The council holds various non-current assets which are categorised as property, plant, and equipment (PPE), heritage assets, investment property, assets held for sale or intangible assets. Operational PPE is analysed between council dwellings, other land and buildings, vehicles, plant, furniture and equipment, infrastructure assets and community assets. Non-operational PPE consists of assets under construction and surplus assets. Properties classed as heritage assets include the Royal Pavilion, the Volks Railway, West Blatchington Windmill and the Rottingdean Windmill. Non-property heritage assets include museum gallery collections, works of art and rare books.

The non-current assets leased in by the council have been brought on balance sheet as at 1 April 2025 under IFRS 16; these assets are classed as Right-of-Use assets. Note 17 Leases and Lease Type Arrangements provides more details.

The following tables set out the gross carrying amount, accumulated depreciation and the movements in value over the year for non-current assets (excluding infrastructure assets which are shown separately below).

2024/25	Council Dwellings	Right of Use Assets	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	Heritage Assets	Investment Property	Assets Held for Sale	Intangible Assets	Total non PPE	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2024														
Gross carrying amount	1,027,651	0	791,532	36,458	3,242	19,690	3,975	**1,882,549**	259,536	49,796	340	20,422	**330,094**	**2,212,643**
Accumulated depreciation	0	0	(30,081)	(17,464)	0	0	(0)	**(47,545)**	0	0	0	(9,361)	**(9,361)**	**(56,906)**
IFRS 16 Right of Use and PFI Assets Opening Balance Adjustment	0	38,381	13,596	0	0	0	0	**51,977**	0	0	0	0	**0**	**51,977**
Net Carrying Amount at 1 April 2024	**1,027,651**	**38,381**	**775,047**	**18,994**	**3,242**	**19,690**	**3,975**	**1,886,981**	**259,536**	**49,796**	**340**	**11,060**	**320,733**	**2,207,714**
Capital Additions														
Additions	66,630	2,509	26,886	7,757	2	6,372	0	**110,156**	0	682	0	5,944	**6,626**	**116,781**
Asset Disposals														
Derecognition - disposals	(1,563)	0	(28,393)	(383)	0	0	0	**(30,339)**	0	(553)	(340)	0	**(893)**	**(31,231)**
Derecognition - disposals (depreciation)	0	0	1,144	383	0	0	0	**1,527**	0	0	0	0	**0**	**1,527**
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement recognised in the Revaluation Reserve														
Revaluation increases	14,289	0	37,479	0	0	0	0	**51,768**	28,277	0	0	0	**28,277**	**80,045**
Depreciation written out	0	0	15,211	0	0	0	0	**15,211**	0	0	0	0	**0**	**15,211**
Revaluation (losses)	(22,687)	0	(39,239)	0	0	0	0	**(61,926)**	(923)	0	0	0	**(923)**	**(62,849)**
Transactions charged to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement														
Depreciation charge	(16,268)	(14,188)	(25,802)	(3,831)	0	0	(0)	**(60,089)**	0	0	0	(3,047)	**(3,047)**	**(63,136)**
Depreciation written out	0	0	24,345	0	0	0	0	**24,345**	0	0	0	0		**24,345**
Revaluation (losses)	(27,920)	0	(37,979)	0	0	0	0	**(65,899)**	0	(1,378)	0	0	**(1,378)**	**(67,277)**
Revaluation loss reversals	2,894	0	3,381	0	0	0	60	**6,336**	0	968	0	0	**968**	**7,303**
Impairment (losses)	(803)	0	0	0	0	0	0	**(803)**	0	0	0	0	**0**	**(803)**
Impairment loss reversals	0	0	640	0	0	0	0	**640**	0	77	0	0	**77**	**717**
Other Transactions														
Assets reclassified within Property, Plant and Equipment	7,975	8,984	(16,304)	0	0	(655)	0	**0**	0	0	0	0	**0**	**0**
Net Carrying Amount at 31 March 2025	**1,050,198**	**35,686**	**736,416**	**22,920**	**3,244**	**25,407**	**4,035**	**1,877,907**	**286,890**	**49,592**	**0**	**13,957**	**350,439**	**2,228,346**
Comprising														
Gross carrying amount	1,050,198	49,874	751,599	43,832	3,244	25,407	4,035	**1,928,190**	286,890	49,592	0	26,365	**362,847**	**2,291,037**
Accumulated depreciation	0	(14,188)	(15,183)	(20,911)	0	0	(0)	**(50,283)**	0	0	0	(12,408)	**(12,408)**	**(62,691)**
Net Carrying Amount at 31 March 2025	**1,050,198**	**35,686**	**736,416**	**22,920**	**3,244**	**25,407**	**4,035**	**1,877,907**	**286,890**	**49,592**	**0**	**13,957**	**350,439**	**2,228,346**

* Total excluding infrastructure assets which are shown below

2023/24	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total PPE *	Heritage Assets	Investment Property	Assets Held for Sale	Intangible Assets	Total non PPE	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2023													
Gross carrying amount	981,160	786,921	52,666	2,725	39,919	5,077	**1,868,469**	226,143	56,357	451	25,060	**308,011**	**2,176,480**
Accumulated depreciation	0	(23,482)	(35,364)	0	0	(0)	**(58,846)**	0	0	0	(16,562)	**(16,562)**	**(75,407)**
Net Carrying Amount at 1 April 2023	**981,160**	**763,439**	**17,302**	**2,725**	**39,919**	**5,077**	**1,809,623**	**226,143**	**56,357**	**451**	**8,498**	**291,449**	**2,101,072**
Capital Additions													
Additions	64,072	26,177	5,266	517	5,755	0	**101,788**	0	429	2	5,465	**5,896**	**107,683**
Asset Disposals													
Derecognition - disposals	(1,569)	(8,220)	(21,474)	0	0	0	**(31,263)**	0	0	(453)	(10,103)	**(10,555)**	**(41,818)**
Derecognition - disposals (depreciation)	0	197	21,437	0	0	0	**21,634**	0	0	0	10,103	**10,103**	**31,737**
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement recognised in the Revaluation Reserve													
Revaluation increases	12,547	20,475	0	0	0	0	**33,022**	33,393	0	0	0	**33,393**	**66,415**
Depreciation written out	12,150	11,256	0	0	0	0	**23,406**	0	0	0	0	**0**	**23,406**
Revaluation (losses)	(20,394)	(18,560)	0	0	0	(647)	**(39,600)**	0	0	0	0	**0**	**(39,600)**
Transactions charged to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement													
Depreciation charge	(16,085)	(33,169)	(3,536)	0	0	(0)	**(52,790)**	0	0	0	(2,902)	**(2,902)**	**(55,693)**
Depreciation written out	3,935	15,117	0	0	0	0	**19,052**	0	0	0	0	**0**	**19,052**
Revaluation (losses)	(35,179)	(20,428)	0	0	0	(456)	**(56,063)**	0	(6,655)	0	0	**(6,655)**	**(62,718)**
Revaluation loss reversals	1,029	4,947	0	0	0	0	**5,976**	0	0	0	0	**0**	**5,976**
Impairment (losses)	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Impairment loss reversals	0	220	0	0	0	0	**220**	0	0	0	0	**0**	**220**
Other Transactions													
Assets reclassified (to) / from Assets Held for Sale, Investment Property and Heritage Assets	0	0	0	0	0	0	**0**	0	(340)	340	0	**0**	**0**
Assets reclassified within Property, Plant and Equipment	25,983	0	0	0	(25,983)	0	**0**	0	0	0	0	**0**	**0**
Other movements in gross carrying amount	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Other movements in depreciation	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Net Carrying Amount at 31 March 2024	**1,027,651**	**761,451**	**18,994**	**3,242**	**19,691**	**3,975**	**1,835,004**	**259,536**	**49,791**	**340**	**11,060**	**320,727**	**2,155,730**
Comprising													
Gross carrying amount	1,027,651	791,532	36,458	3,242	19,691	3,975	**1,882,547**	259,536	49,791	340	20,422	**330,089**	**2,212,637**
Accumulated depreciation	(0)	(30,081)	(17,463)	0	0	0	**(47,545)**	0	0	0	(9,362)	**(9,362)**	**(56,906)**
Net Carrying Amount at 31 March 2024	**1,027,651**	**761,451**	**18,994**	**3,242**	**19,691**	**3,975**	**1,835,003**	**259,536**	**49,791**	**340**	**11,060**	**320,727**	**2,155,730**

* Total excluding infrastructure assets which are shown below

Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The following table set out the gross carrying amount, and the movements in value over the year for infrastructure assets:

	31 March 2025 £'000	31 March 2024 £'000
Opening Net Book Value as at 1 April	137,709	118,724
Additions	19,810	30,763
Depreciation Charge	(12,628)	(11,778)
Closing Net Book Value as at 31 March	**144,891**	**137,709**

The following table set out the reconciliation of Total Property, Plant & Equipment:

	31 March 2025 £'000	31 March 2024 £'000
Closing Value of Property, Plant & Equipment (excluding Infrastructure Assets)	1,877,907	1,835,003
Closing Value of Infrastructure Assets	144,891	137,710
Total Property, Plant & Equipment as shown in the Balance Sheet	**2,022,798**	**1,972,713**

Heritage Assets

The following table shows the value of the council's heritage assets.

	2024/25 £'000	2023/24 £'000
Royal Pavilion	0	0
Collections	0	0
Rare Books	0	0
Volks Railway	0	0
West Blatchington Windmill	0	0
Rottingdean Windmill	0	0
Cost of Acquisitions	**0**	**0**
Royal Pavilion	10,199	30,768
Collections	15,940	0
Rare Books	0	0
Volks Railway	2,137	2,309
West Blatchington Windmill	(785)	231
Rottingdean Windmill	(138)	85
Revaluation Increases/(Losses)	**27,354**	**33,393**
Royal Pavilion	214,181	203,982
Collections	57,438	41,498
Rare Books	8,313	8,313
Volks Railway	5,888	3,750
West Blatchington Windmill	660	1,444
Rottingdean Windmill	410	548
Carrying Amount as at 31 March	**286,889**	**259,536**

Valuations

Land and building valuations were based upon valuation reports issued by valuers appointed by the council. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The council requires that all valuers are RICS qualified. Valuations are carried out by the council's internal valuers and by independent property managing companies contracted by the council: Avison Young, Savills UK Ltd and Montagu Evans. The valuation of the council's council dwellings is carried out annually by Savills UK Ltd.

The council carries out a rolling programme for revaluing its PPE assets that ensures that all PPE assets measured at current value are revalued at least every five years. HRA dwellings and garages and car park assets are valued annually. The following table shows the valuation split of non-current assets.

	Council Dwellings £'000	Right of Use Assets £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Investment Property £'000	Assets Held for Sale £'000	Intangible Assets £'000	Total £'000
Valued at historical cost			543	43,832	3,244	25,407					26,365	**99,392**
Valued at insurance value (annually)								273,982				**273,982**
Valued at fair value:												
2024/25	1,050,198	49,874	520,944				2,585		49,592			**1,673,193**
2023/24			69,805				1,450					**71,255**
2022/23			85,466									**85,466**
2021/22			49,747									**49,747**
2020/21			21,822									**21,822**
2019/20			1,246									**1,246**
2018/19			56									**56**
Before 2018/19			1,987									**1,987**
Gross carrying amount	**1,050,198**	**49,874**	**751,616**	**43,832**	**3,244**	**25,407**	**4,035**	**273,982**	**49,592**	**0**	**26,365**	**2,278,146**
Accumulated depreciation	0	(14,188)	(15,183)	(20,911)	0	0	(0)	0	0	0	(12,408)	**(62,691)**
Net carrying amount	**1,050,198**	**35,686**	**736,432**	**22,920**	**3,244**	**25,407**	**4,035**	**273,982**	**49,592**	**0**	**13,957**	**2,215,455**

Please note that the above table excludes infrastructure assets due to historical reporting practices and resultant information deficits which means that the historic cost and accumulated depreciation cannot be faithfully represented. See infrastructure assets section above

Surplus Asset Valuations

The fair value of the council's surplus assets is determined using the market value methodology. This method includes the yield methodology and adjusted sales comparison approach or may include a development or residual appraisal if it is considered an alternative use provides the highest and best value. The approach is consistent with IFRS 13 Fair Value Measurement. The method involves a degree of judgement and uses data which is not widely publicly available. The fair value hierarchy for these assets is Level 3.

Heritage Asset Valuations

The valuations for all heritage assets are based on insurance valuations. The assets are insured by Zurich Municipal and Protector at a 1 April valuation date.

Investment Property Valuations

The fair value of the council's investment property is measured annually. Valuations are carried out by the council's internal valuers and by independent property managing companies contracted by the council: Avison Young, Montagu Evans, and Savills UK Ltd. The majority of the council's assets which are classified as investment properties are leased out under short term operating leases. These properties are used by the lessees for commercial purposes. The fair value of the council's investment property portfolio is determined using a variety of techniques depending on the property type and the terms of the lease. In estimating the fair value of the council's investment properties, the highest and best use of the properties is their current use. The fair value hierarchy for these assets is Level 3.

Quantitative information about Fair Value Measurement (Investment Property				
Property Type	Fair Value at 31 March 2025 £'000	Valuation techniques used to measure fair value	Unobservable Inputs	Range of unobservable inputs
Urban Commercial	49,592	Yield Methodology	Rental Values	Retail: £51.20 to £7,067.64 psm
				Office: £178.50 to £503.14 psm
				Car park: £1 to £3 per space per day
				Garden Centre: n/a
				Public House £236.33 to £255.58 psm
			Capitalisation rate	Retail: 4.5% to 10%
				Office: 5.5% to 8%
				Car Park: 8%
				Garden Centre: n/a
				Public House (Ground lease): 6.5%

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

Useful Lives

Assets of the same type generally have the same life but there are exceptions for specific assets. Operational buildings and surplus assets are generally valued with a life of either 20 or 50 years as advised by the council's valuers. In respect of the assets valued using depreciated replacement cost valuation methodology at 31 March 2025 the majority of assets were deemed to have a total useful life of 60 years with a remaining useful life of between 2 and 58 years.

The asset life of council dwellings is set as appropriate for the relevant components. The structure of the dwellings has an asset life of 60 years, and the replaceable components vary as appropriate, for example, kitchens have a life of 25 years. Asset lives for vehicles, plant, furniture and equipment are generally set at between five and ten years depending on the nature of the asset. The asset life for infrastructure assets is set at 20 years. Asset lives for HRA garages and car parks are estimated to be 35 years.

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

Impairment and Revaluation Losses

As part of the annual inspection and ongoing management of its property portfolio, the council assesses the impact of obsolescence, physical damage and changes of use which could affect asset values.

Contractual Commitments

At 31 March 2025, the council had entered into the following contractual commitments in respect of non-current assets (at 31 March 2024 £43.919 million).

Contractual Commitments		
Scheme Name	**Description**	**£'000**
Housing stock programme		11,227
Other Land and Buildings		
Adult Social Care	Knoll House building works and Relocation of Independence at Home	6,046
Education and Learning	Works at various schools	1,939
Place	Various regeneration projects across Brighton & Hove	12,878
Finance and Property	Works on various council properties	1,190
City Infrastructure	Brighton Marina to River Adur coastal works and Various highways schemes	11,697
Environmental Services	Public Conveniences and Hollingdean Depot works	125
Environment and Culture	Works on Royal Pavallion Estate, various Leisure facilities, Playgrounds Refurbishment	2,077
Homes & Investment	Warm Safe Homes	19
Family Help and Protection	Ireland Lodge project - building works	173
Vehicles, Plant, Furniture and Equipment		
Adult Social Care	Better Care Fund - equipment for disabled	134
Education and Learning	Furniture and equipment at various schools	18
Finance and Property	Water Efficiency Fund project	28
City Infrastructure	Bus service improvement project, Seafront Lighting renewal programme	1,280
Environmental Services	Various vehicle costs, new recycling bins and equipment at Hollingdean depot	983
Environment and Culture	Brighton Centre equipment and upgrades	25
Digital Innovation	Laptop Refresh programme	1,115
Family Help and Protection	Ireland Lodge project - equipment	6
Intangible Fixed Assets		
Schools	Upgrade of Impulse system	32
City Infrastructure	Bus service improvement project, Citywide Strategic Transport Model	156
Environment and Culture	Pavilion and Mess Room IT related services	6
Digital Innovation	Customer Digital Programme, Laptop Refresh implementation and Wide Area Network costs	1,897
Homes & Investment	Disabled facilities grants	52
Grand Total		**53,102**

Investment Property Income and Expenses

The council lets properties in its investment portfolio at the full market rent. The council received £3.149 million of net income from investment properties in 2024/25 (£3.102 million 2023/24).

11. Capital Investment and Capital Financing

The council made £151.649 million of capital investments in 2024/25. The council's Capital Financing Requirement is the value of historic capital investment funded from borrowing which will be repaid in future financial years. In 2024/25, £126.339 million of capital investment was financed through unsupported borrowing (i.e. not supported by the government) and increased the council's Capital Financing Requirement. Please see details of movements in the table below.

	£'000	£'000
Opening Capital Financing Requirement	**509,732**	**453,960**
Adjustment to opening balance for Right of Use Assets	45,939	0
Restated Opening Financing Requirement	**555,671**	**453,960**
Property, plant and equipment (incl. Right of Use Assets)	137,986	132,551
Intangible assets	5,944	5,465
Investment property	682	429
Assets held for sale	0	2
Revenue expenditure funded from capital under statute	6,597	5,274
Long term investments (which are part of the capital programme)	440	500
Capital Investment	**151,649**	**144,222**
Capital receipts	(8,124)	(4,113)
Capital grants and contributions	(43,337)	(49,081)
Major repairs reserve (Housing Revenue Account)	(16,268)	(16,085)
Reserves	(2,349)	(2,730)
Revenue contributions	(893)	(2,907)
Schools Funding Adjustment	(278)	(416)
Capital Financing (excluding borrowing)	**(71,249)**	**(75,333)**
Repayment of loans (Minimum Revenue Provision)	(29,719)	(12,616)
Repayment of long term debt (application of capital receipts)	0	(500)
Closing Capital Financing Requirement	**606,352**	**509,732**
Explanation of movements in capital financing requirement		
Increase in underlying need to borrow (unsupported by government)	126,339	68,888
Repayment of loans (Minimum Revenue Provision)	(29,719)	(12,616)
Repayment of long term debt (application of capital receipts)	0	(500)
Increase/(Decrease) in Capital Financing Requirement	**96,621**	**55,772**

Minimum Revenue Provision

The council is required by statute to set aside a prudent sum for the repayment of debt – the Minimum Revenue Provision (MRP). Guidance issued by the government requires full council to approve an annual statement on the amount of debt that will be repaid in a financial year. The council's annual statement was approved at Budget Council in February 2024. The following table shows the amount set aside from revenue to repay debt.

	2024/25	2023/24
	£'000	£'000
Supported Debt (debt where the Government provides revenue support)	2,328	2,328
Unsupported Debt (debt where no Government support is received)	8,158	6,773
Right of Use Assets	14,188	0
Charge equal to write down on PFI liabilities	5,045	3,515
Total Amount Set Aside from Revenue	**29,719**	**12,616**

12. Financial Instruments

Financial Assets	31 March 2025			31 March 2024		
	Long Term	Short Term	Total	Long Term	Short Term	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss						
Investments	38	0	38	38	0	38
Cash Equivalents	0	21,060	21,060	0	16,661	16,661
Amortised Cost						
Investments	5,440	(0)	5,440	5,123	23,769	28,893
Cash Equivalents	111	6,498	6,610	0	43,085	43,085
Debtors	14,131	41,953	56,084	22,486	44,490	66,976
Total Financial Assets	**19,720**	**69,511**	**89,232**	**27,647**	**128,006**	**155,653**
Not Financial Assets	0	37,508	37,508	0	34,596	34,596
Total Assets	**19,720**	**107,020**	**126,740**	**27,647**	**162,602**	**190,249**

Financial assets are investments, cash equivalents and some debtors both long and short term. Please see also Note 13 Debtors.

Financial Liabilities	31 March 2025			31 March 2024		
	Long Term	Short Term	Total	Long Term	Short Term	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss						
Borrowings and creditors	0	0	0	0	0	0
Amortised cost						
Borrowing	(383,577)	(40,450)	(424,027)	(354,278)	(48,305)	(402,583)
Creditors	(44,426)	(67,095)	(111,521)	(30,306)	(66,310)	(96,616)
Total Financial Liabilities	**(428,002)**	**(107,545)**	**(535,548)**	**(384,585)**	**(114,615)**	**(499,200)**
Not Financial Liabilities	0	(75,789)	(75,789)	0	(62,531)	(62,531)
Total Liabilities	**(428,002)**	**(183,334)**	**(611,336)**	**(384,585)**	**(177,146)**	**(561,731)**

Financial liabilities are borrowing, creditors and long-term liabilities (excluding the pension fund liability). Please see also Note 14 Creditors and Note 16 Grants and Contributions.

Financial instruments classified at fair value through profit or loss

The balance of financial assets classified at fair value through profit or loss at 31 March 2025 was £21.098 million. There were no financial liabilities designated at fair value through profit or loss.

Investments in equity instruments designated at fair value through other comprehensive income

No financial assets or liabilities were classed as fair value through other comprehensive income.

Reclassifications

No financial assets or liabilities were re-classified during the year.

Income, Expense, Gains and Losses

	2024/25		2023/24	
	Surplus or deficit on the provision of services	Other comprehensive income and expenditure	Surplus or deficit on the provision of services	Other comprehensive income and expenditure
	£'000	£'000	£'000	£'000
Financial assets measured at fair value through profit or loss - fair value	(90)	0	(302)	0
Financial assets measure at fair value through profit or loss - dividends	(2,193)	0	(2,577)	0
Total net (gains)/losses	**(2,283)**	**0**	**(2,879)**	**0**
Financial assets measured at amortised cost - **Interest Revenue**	(1,175)	0	(5,119)	0
Financial liabilities measured at amortised cost - **Interest Expenses**	11,146	0	11,812	0

Note: the comparative figure for financial liabilities measured at amortised cost – interest expenses have been updated as was incorrectly disclosed in the 2023/24 accounts

Fair Value

Basis for recurring fair value measurements

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

Fair value of financial assets

Financial Assets - Fair value through profit or loss	Input level in the fair value hierarchy	Valuation Technique used to measure Fair Value	31 March 2025 £'000	31 March 2024 £'000
Money Market Funds (Low Volatility Net Asset Value Funds)	Level 1	Unadjusted quoted prices in active markets for identical	11,776	7,466
Pooled Funds (Variable Net Asset Value funds)	Level 1	Unadjusted quoted prices in active markets for identical	9,285	9,195
Municipal Bonds Agency Shareholding	Level 3		38	38

Transfer between levels of the fair value hierarchy

There were no transfers between levels 1 and 2 during the year.

Changes in valuation technique

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

Fair values of financial assets and financial liabilities that are not measured at fair value but for which fair value disclosures are required

All other financial liabilities and financial assets are carried on the balance sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments based on the following assumptions:

- For loans payable from the Public Works Loan Board (PWLB) - PWLB market rates.

- For non-PWLB loans payable - PWLB market rates.
- For loans receivable - benchmark market rates.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable fair value is carrying/billed value.
- For trade and other receivables fair value is the invoiced/billed value.

	31 March 2025		31 March 2024	
	Carrying Amount	Fair value	Carrying Amount	Fair value
	£'000	£'000	£'000	£'000
Long term investments	5,478	5,608	5,161	5,179
Long term debtors	14,131	14,131	22,486	22,486
Total Financial Assets	**19,609**	**19,740**	**27,647**	**27,665**

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

	31 March 2025		31 March 2024	
	Carrying Amount	Fair value	Carrying Amount	Fair value
	£'000	£'000	£'000	£'000
Long term borrowing	(383,577)	(270,879)	(354,278)	(229,246)
Total Financial Liabilities	**(383,577)**	**(270,879)**	**(354,278)**	**(229,246)**

The fair value of borrowings is lower than the carrying amount because the portfolio of loans includes fixed rate loans where the interest rate payable is lower than the prevailing rates at the balance sheet date. This shows a notional future loss arising from a commitment to pay interest to lenders above current market rates. The reverse is the case for PFI fair values.

As there is no market comparison data for lease liabilities the carrying amount is calculated using the council's incremental borrowing rate. Following the transition to IFRS 16 for PFI and lease liabilities, it is considered by the council that the carrying value of these liabilities now represents a reasonable estimation of the fair value.

Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value

	31 March 2025			
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Long Term Investments at Amortised Cost	0	5,608	0	5,608
Long Term Debtors	0	14,131	0	14,131
Financial Assets	**0**	**19,740**	**0**	**19,740**
Long term borrowing	0	(270,879)	0	(270,879)
Financial Liabilities	**0**	**(270,879)**	**0**	**(270,879)**

Recurring fair value measurements using:	31 March 2024 Quoted prices in active markets for identical assets (Level 1) £'000	Other significant inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Long Term Investments at Amortised Cost	0	5,179	0	5,179
Long Term Debtors	0	22,486	0	22,486
Financial Assets	**0**	**27,665**	**0**	**27,665**
Long term borrowing	0	(229,246)	0	(229,246)
Financial Liabilities	**0**	**(229,246)**	**0**	**(229,246)**

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant input being the discount rate. The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

Financial Assets

No early repayment or impairment is recognised, estimated ranges of interest rates at 31 March 2025 for loans receivable, based on new lending rates for equivalent loans at that date and the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

No early repayment is recognised and estimated ranges of interest rates at 31 March 2025 for loans payable is based on new lending rates for equivalent.

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

The council's activities expose it to a variety of financial risks. The key risks are credit risk (the possibility that other parties might fail to pay amounts due to the council), liquidity risk (the possibility that the council might not have funds available to meet its commitments to make payments), re-financing risk (the possibility that the council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms) and market risk (the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates or stock market movements).

Overall procedures for managing risk

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash).

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. This risk is minimised through via the council's Annual Investment Strategy which is available on the council's website.

Credit risk management practices

The council's credit risk management practices are set out in the Annual Investment Strategy with particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition. The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's credit rating services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category. The council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach incorporating credit ratings from all three rating agencies. However, it does not rely solely on the current credit ratings of counterparties but also uses credit watches and credit outlooks from credit rating agencies, Credit Default Swap spreads to give early warning of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries. The Investment Strategy for 2024/25 was approved by Budget Council in February 2024 and is available on the council's website. Customers for goods and services are assessed based on their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The council's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. There is a risk of not being able to recover all the council's deposits but there was no evidence at the 31 March 2025 that this was likely to occur.

Amounts arising from Expected Credit Losses (ECL)

The council has provision for bad debt across all services of £70.487 million at 31 March 2025 (£54.690 million short term and £15.797 million long term). Please see also Note 13 Debtors.

The council also reviews all other (non-service) debt and provides for Expected Credit Losses (ECL). The material changes in ECL for 2024/25 are in respect of the i360 seafront observation tower which has been decreased by £26.526 million to £nil million; this is as a result of the sale of the asset. See the Brighton i360 information within the Narrative report for further details.

Collateral

During the reporting period the council held no collateral as security.

Liquidity risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports) as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed. The council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial assets which excludes sums due from customers is as follows:

	31 March 2025	31 March 2024
	£'000	£'000
Less than one year	44,979	98,145
Between one and two years	14,131	22,486
Between two and five years	5,440	5,123
Between five and ten years	38	38
Total Financial Assets	**64,588**	**125,792**

Refinancing and Maturity risk

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of long-term financial liabilities and long-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks, and the central treasury 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 council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The value of the financial liabilities in the table below is based on the principal amounts owed to lenders rather than the carrying amount.

	31 March 2025	31 March 2024
	£'000	£'000
Less than one year	(91,743)	(89,196)
Between one and two years	(46,458)	(21,926)
Between two and five years	(36,675)	(11,101)
More than five years	(346,589)	(352,752)
Total Financial Liabilities	**(521,466)**	**(474,976)**

Market risk

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances).
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the General Fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The council has strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly, the drawing of long-term fixed rates borrowing would be postponed. The value of the risk if all interest rates had been +1% higher ('all other things being equal') is illustrated below.

Effect of +1% in interest rates	31 March 2025 £'000	31 March 2024 £'000
Increase in interest payable on variable rate borrowings	45	57
Increase in interest receivable on variable rate investments	(590)	(1,536)
Impact on Comprehensive Income and Expenditure	**(545)**	**(1,479)**

Price risk

The council has a total of £11.778 million invested in money market funds. The value (price) of shares in these funds will vary.

Foreign exchange risk

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

13. Debtors

	31 March 2025	31 March 2024
	£'000	£'000
Debtor System Control	22,244	25,946
Local Taxation	12,094	13,307
HRA & Temporary Accommodation	9,770	7,225
HMRC	8,047	8,417
Payments in Advance	4,006	4,081
Parking	965	1,120
Other	22,334	18,989
Total Short Term Debtors	**79,461**	**79,086**

£41.953 million (£44.490 million end March 2024) of the total of short-term debtors are classified as financial instruments and are included in Note 12 Financial Instruments. Debtors not classified as financial instruments are statutory debtors, grant debtors and payments in advance.

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

	31 March 2025	31 March 2024
	£'000	£'000
i360 development	0	8,955
Finance leases	5,772	5,796
Brighton Dome & Festival Limited	3,117	2,704
Royal Pavilion & Museums Trust	2,867	1,867
Other long term debtors	2,377	3,164
Total Long Term Debtors	**14,131**	**22,486**

All long-term debtors are classed as financial instruments and are included in Note 12 Financial Instruments.

14. Creditors

	31 March 2025	Restated 31 March 2024
	£'000	£'000
Receipts in Advance	(20,675)	(17,502)
Creditors Control Account	(15,793)	(16,958)
Lessee Lease Liability	(13,477)	0
Pensions	(6,636)	(6,263)
HMRC	(6,103)	(6,165)
PFI Finance Lease Liability	(5,409)	(3,790)
C2C Local Enterprise Partnership (LEP)	(5,131)	(4,980)
Local Taxation	(463)	0
Other	(51,302)	(49,586)
Total Short Term Creditors	**(124,989)**	**(105,244)**

Note: The 2023/24 comparative figures have been restated to remove Revenue Grants and contributions received in advance which are now included in the Grants note 16.

The lessee lease liability is the short-term liability in respect of the lease payments for leased in assets brought onto balance sheet under IFRS 16. Note 17 Leases and Lease Type Arrangements provides further details.

£67.095 million (£68.227 million 31 March 2024) of short-term creditors are classed as financial instruments and are included in Note 12 Financial Instruments. Creditors which are not classified as financial instruments are statutory creditors, grant creditors and receipts in advance.

15. Provisions

The council sets aside amounts as provisions for liabilities of uncertain timing or amount. The following table sets out the council's provisions at 31 March split between short term and long term. Short term provisions include best estimates of uncertain liabilities including uninsurable costs relating to potential Health & Safety Executive penalties, potential historic pay settlements for some staffing groups, and other estimated litigation costs where there is uncertainty over the recovery of costs.

	Balance 1 April 2024	Additional Provisions Made	Amounts Used	Unused Amounts Reversed	Balance 31 March 2025
	£'000	£'000	£'000	£'000	£'000
Other provisions	(1,081)	0	37	238	(806)
Short Term Provisions	**(1,081)**	**0**	**37**	**238**	**(806)**
Voluntary severance scheme provision	(2,339)	(3,082)	5,443	(1,368)	(1,346)
Insurance provision	(4,021)	0	0	0	(4,021)
Business rates appeals provision	(1,589)	(972)	1,094	0	(1,467)
Other provisions	(158)	942	(844)	(127)	(188)
Long Term Provisions	**(8,107)**	**(3,112)**	**5,693**	**(1,495)**	**(7,021)**
Total Provisions	**(9,188)**	**(3,112)**	**5,730**	**(1,257)**	**(7,827)**

Voluntary Severance Scheme Provision

Voluntary severance is just one of the mechanisms that can help the council to meet its financial targets whilst minimising the risk of compulsory redundancies. The council has therefore put in place a mechanism to incentivise voluntary severance in services required to deliver approved budget savings in 2025/26. The mechanism enables employees under retirement age to consider leaving their employment in return for an enhanced severance package. Each case is separately reviewed and only approved where pre-set business case parameters are met. This provision will meet the costs of approved severance packages, including those over retirement age, which had not been finalised at the Balance Sheet date

Insurance Provision

The insurance provision is used to cover liabilities under policy excesses and to finance any claims for small risks not insured externally. The council also self-insures financed from this provision. The level of the provision is informed by independent actuarial assessment of insurance risks.

Business Rates Appeals Provision

At the end of March 2025, the council had a number of appeals outstanding against the 2017 and 2023 rating lists. If successful, these appeals will result in a reduction in rateable value and refunds for prior financial years. This provision covers the council's share of the amount that the council anticipates having to repay if the appeals are successful.

16. Grants and Contributions

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

Government Revenue Grants

	2024/25 £'000	2023/24 £'000
Ministry of Housing, Communities and Local Government	(82,703)	(72,581)
Department of Health & Social Care	(3,430)	(2,100)
Department for Work and Pensions	(1,038)	(1,011)
Department for Environment, Food & Rural Affairs	(469)	0
Department for Education	(120)	(103)
Revenue government grants credited to taxation and non-specific grant income	**(87,760)**	**(75,795)**
Ring fenced revenue government grants credited to cost of services		
Department for Education	(240,508)	(223,372)
Department for Work and Pensions	(109,790)	(112,426)
Department of Health & Social Care	(35,591)	(33,115)
Ministry of Housing, Communities and Local Government	(14,995)	(14,354)
Department for Transport	(9,310)	(7,041)
Other government departments	(1,646)	(947)
Home Office	(1,092)	(447)
Department for Culture, Media and Sport	(269)	(24)
Department for Environment, Food & Rural Affairs	(74)	(252)
Department for Business, Energy & Industrial Strategy	(5)	(39)
Ring fenced revenue government grants credited to cost of services	**(413,280)**	**(392,015)**
Total Government Revenue Grants	**(501,041)**	**(467,810)**

Non-Government Revenue Grants and Contributions

	2024/25 £'000	2023/24 £'000
Contributions from health	(28,484)	(29,163)
Contributions from other local authorities	(2,638)	(2,043)
Contributions from other agencies and external bodies	(2,299)	(7,311)
Other contributions, donations and sponsorship	(1,822)	(1,307)
Non-government grants	(777)	(532)
Contributions from developers and stakeholders	(669)	(461)
Total Non-Government Revenue Grants and Contributions credited to cost of services	**(36,690)**	**(40,816)**

Revenue Grants and Contributions with Conditions Attached

The council has received a number of revenue grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the funds to be returned if the conditions are not met (shown as "Revenue grants receipts in advance" on the balance sheet).

	2024/25	2023/24
	£'000	£'000
Department for Transport	(8,116)	(11,578)
Department for Education	(2,340)	(2,165)
Ministry of Housing, Communities and Local Government	(2,175)	(4,865)
Contributions from developers	(1,710)	(1,913)
Department of Health and Social Care	(1,153)	(867)
Department for Digital, Culture, Media & Sport	(1,026)	(765)
Home Office	(650)	(305)
Other	(725)	(1,137)
Total Revenue Grants and Contributions Receipts in Advance	**(17,895)**	**(23,595)**

Note: Revenue Grants and Contributions Receipts in Advance were included in short term creditors on the balance sheet in the 2023/24 accounts.

Capital Grants and Contributions

The council has received a number of capital grants and external contributions which are used to fund capital investment.

	2024/25	2023/24
	£'000	£'000
Department for Transport	(11,440)	(8,604)
Department for Education	(9,851)	(11,112)
Ministry of Housing, Communities and Local Government	(6,868)	(12,202)
Contributions from developers and stakeholders	(5,362)	(7,600)
Other contributions	(2,666)	(1,965)
Other government departments	(774)	(147)
Department for Environment, Food and Rural Affairs	(748)	(3,427)
Heritage Lottery Fund	(311)	(102)
Capital grants and contributions credited to taxation and non-specific grant income	**(38,021)**	**(45,158)**
Department of Health & Social Care	(2,321)	(2,700)
Ministry of Housing, Communities and Local Government	0	(395)
Department for Transport	(51)	(260)
Department for Education	(129)	(89)
Other contributions	0	(51)
Capital grants and contributions credited to cost of services	**(2,501)**	**(3,495)**
Total Capital Grants and Contributions	**(40,522)**	**(48,654)**

Capital Grants and Contributions with Conditions Attached

The council has received a number of capital grants and contributions that are yet to be recognised as income as they have conditions attached to them that will require the funds to be returned if the conditions are not met (shown as “Capital grants receipts in advance” on the balance sheet).

	2024/25 £’000	2023/24 £’000
Department for Education	(21,635)	(25,880)
Department for Transport	(18,770)	(14,684)
Contributions from developers and stakeholders	(14,728)	(19,222)
Ministry of Housing, Communities and Local Government	(6,367)	(7,078)
Other contributions	(3,332)	(2,461)
Department of Environment, Food and Rural Affairs	(2,473)	(80)
Homes England	(1,094)	0
Department of Health and Social Care	(822)	(273)
Total Capital Grants and Contributions Receipts in Advance	**(69,221)**	**(69,678)**

Dedicated Schools Grant

The Council’s expenditure on schools is funded primarily by Dedicated Schools Grant (DSG) received from the Education Funding Agency. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school.

Currently, the government is providing legislation known as the Statutory Override facility that means any deficit associated with the Central DSG is excluded from the council’s general fund financial position at the end of a financial year. The regulations require the negative balance (central DSG deficit of £0.680 million) be held in an unusable reserve which remains there for the lifetime of the regulations. The override facility is currently due to expire in March 2026, and an announcement is expected where the government will set out their future intentions relating to the Statutory Override.

2024/25	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2024/25 before academy and high needs recoupment			(235,760)
Less academy and high needs figure recouped for 2024/25			26,769
Total DSG after academy and high needs recoupment for 2024/25			**(208,992)**
Plus: Brought forward from 2023/24			(1,275)
Less: Carry-forward to 2025/26 agreed in advance			0
Agreed initial budgeted distribution in 2024/25	**(38,804)**	**(171,462)**	**(210,267)**
In-year budget adjustments	(381)	256	(125)
Final budget distribution for 2024/25	**(39,185)**	**(171,206)**	**(210,391)**
Less actual central expenditure	39,865	0	39,865
Less actual ISB deployed to schools	0	171,206	171,206
Plus: Local authority contribution for 2024/25	0	0	0
Carry-forward to 2025/26	**680**	**0**	**680**
Plus/MInus: Carry-forward to 2025/26 agreed in advance			0
Carry-forward to 2025/26			0
DSG unusable reserve at the end of 2023/24			0
Addition to DSG unusable reserve at the end of 2024/25			680
Total of DSG unusable reserve at the end of 2024/25			0
Net DSG position at the end of 2024/25	**680**	**0**	**680**

17. Leases and Lease Type Arrangements

The council has adopted IRFS 16 (Leases) with effect from 1 April 2024.

The adoption of IFRS 16 means that the majority of leases where the council acts as lessee will come onto Balance Sheet and lessor accounting effectively remains unchanged.

The main impact of the new requirements is that, for lessee arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset and future rents as a liability), a right-of-use asset and a lease liability are now recognised on the Balance Sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

As a lessee, the council has previously classified lessee leases as operating, or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the council. Under IFRS 16, the council recognises right-of-use assets and lease liabilities for most lessee leases.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised as at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures.

The council has decided to apply recognition exemptions to short term leases (and has elected not to recognise right-of-use assets and lease liabilities for short term leases i.e. exiting leases that expire on or before 31 March 2025 and new leases with a duration 12 months or less) and leases of low value assets (below £20,000 when new). The council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term

This change in accounting policy is made in accordance with the transitional provisions in the Code for the adoption of IFRS 16.

Lease liabilities are measured at the present value of the remaining lease payments as at 1 April 2024, discounted by the Council's incremental borrowing rate at that date. The weighted average of the incremental borrowing rates used to discount liabilities was 5.12%.

Right-of-use assets are measured at the amount for the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024.

This has resulted in the following additions (after discounting) to the Balance Sheet as at 1 April 2024: £38.381 million Right-of-Use assets, £13.522 million non-current creditors (lease liabilities), £18.822 million current creditors (lease liabilities) and a gain of £6.038 million charged to the Capital Adjustment Accounts (CAA)

The lease liabilities recognised, under IFRS 16, in the balance sheet at 1 April 2024 of £35.691 million compare with the operating lease commitments, disclosed applying IAS 17 in the 2023/24 financial statements of £15.252 million as at 31 March 2024. When these are discounted to their present value of £32.344 million (using the incremental borrowing rate as at 1 April 2024), there is a difference of £17.092 million from the recognised lease liabilities. A full reconciliation of difference is included below:

	Total £'000
Operating lease commitments at 31 March 2024 as per the 2023/24 accounts	15,252
Adjustment due to miscalculation of lease commitments as at 31 March 2024	7,861
Service Contracts that were incorrectly categorised as embedded leases in 2023/24	(474)
Service Contracts categorised as embedded leases in 2023/24 that expired on 31 March 2024	(646)
Vehicle leases that had expired on 31/03/24 but vehicles still being utilised	2,389
Increase in rentals and lease term for temporary accommodation lease (note: this will also include properties that weren't disclosed in 2023/24 as they had been classified as expired but properties still being utilised)	12,525
Leases of schools that have been academised or have closed	(101)
Adjusted operating lease commitments at 31 March 2024 under IAS 17	**36,807**
Short term leases (i.e. end on or before 31 March 2025)	(494)
Low value leases	(622)
Revised operating lease commitments at 31 March 2024 under IFRS 16	**35,691**
Finance lease liability at 31 March 2024	0
Lease liabilities recognised on adoption of IFRS 16 as at 1 April 2024 before discounting	**35,691**
Effect of discounting	(3,347)
Lease liabilities recognised on adoption of IFRS 16 as at 1 April 2024	**32,344**

Council as Lessee

The council's lease contracts comprise leases of land and buildings, plant and equipment and motor vehicles. Material leases include:

- The council has acquired a number of properties on long term leases which are used by the council for office accommodation and providing education, social care and library services. The length of leases range from 60 to 150 years. In the majority of cases, the

council has paid a premium payment at the inception of the lease and pays a peppercorn rent over the lease term.
- The council has also acquired a number of other operational properties which are on shorter term leases typically range from five to 30 years.
- The council uses a number of properties for temporary accommodation for its clients; these properties are leased to the council under short-term operating leases typically ranging from two to ten years.
- The council leases in a number of vehicles on short-term leases. Most of these leases have formally expired however the council continues to use these assets.

Right of Use Assets

The following table shows the change in the value of the right-of-use assets held under lease by the council:

Right of Use Assets			
	Land & Buildings	Vehicles, Plant & Equipment	Total
	£'000	£'000	£'000
Balance as at 1 April 2024	**36,068**	**2,313**	**38,381**
Additions	2,100	409	2,509
Depreciation and amortisation	(13,003)	(1,185)	(14,188)
Transfer from other land and buildings (finance leases already on Balance Sheet as at 1 April 2024)	8,984	0	8,984
Balance as at 31 March 2025	**34,148**	**1,538**	**35,686**

Transactions under leases

The council incurred the following expenses and cash flows in relation to leases:

	2024/25
	£'000
Interest expense on lease liabilities	1,785
Expense relating to short-term leases	495
Expense relating to exempt leases of low-value items	364
Gain on non commercial lessee leases	(6,038)
Minimum lease payments	14,188

The expenditure incurred by the council in 2023/24, in respect of lessee leases, was £8.656 million.

Maturity analysis of lease liabilities

The lease liabilities, excluding PFI liabilities, are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments). PFI liabilities can be found in Note 18 Private Finance Initiative Contracts:

	31 March 2025
	£'000
Less than one year	13,477
One to five years	6,113
More than five years	1,074
Total undiscounted liabilities	**20,665**

The Total Future Minimum Lease Payments, as at 31 March 2024 was £14,132 million.

Council as Lessor

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

The council has also leased out a number of its properties and land under finance leases which are used by the lessees for a range of purposes such as commercial, residential, industrial, and recreational purposes. The terms of these leases mainly range from 40 years to 125 years. There have been no new long term finance leases entered into during the reporting period. The council has a gross investment value in these leases being the minimum lease payments expected to be received over the remaining terms. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the council in future years.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the council in future years. The following table shows the future minimum lease payments owed to the council under non-cancellable operating leases in future financial years

Transactions under leases

The council made the following gains and losses as a lessor during the year:

Transactions under Leases		
	2024/25	2023/24
	£'000	£'000
Finance Leases		
Finance income on the net investment in the lease	(457)	(457)
Income relating to variable lease payments not included in the measurement of the net investment in the lease	(1,609)	(688)
Operating Leases		
Total lease income	(8,262)	(7,978)

Net investment in finance leases

Net Investment in Finance Leases		
	31 March 2025	31 March 2024
	£'000	£'000
Not later than one year	457	457
Later than one year and not later than five years	2,287	2,287
Later than five years	37,852	39,681
Net Investment at 31 March	**40,596**	**42,425**

Maturity analysis of lease receivables

The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts)

Maturity Analysis of Lease Receivables				
	Finance Leases		Operating Leases	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£'000	£'000	£'000	£'000
Less than one year	11	9	8,827	8,262
Later than one year and not later than five years	68	54	26,384	20,926
Later than five years	5,999	6,053	99,938	107,285
Total undiscounted receivables	**6,077**	**6,116**	**135,149**	**136,473**

The lease receivables under operating leases do not include changes to future rental payments.

The total undiscounted receivables for finance leases reconcile to the net investment in leases as follows:

Maturity Analysis of Lease Receivables		
	31 March 2025	31 March 2024
	£'000	£'000
Total undiscounted lease receivables	6,077	6,116
Unearned finance income	34,519	36,310
Net investment in leases	**40,596**	**42,425**

18. Private Finance Initiative Contracts

Service Concession Agreements, such as PFI contracts, are accounted for in accordance with IFRIC 12 'Service Concession Arrangements'. The Standard recognises that the council is in control of services provided under the PFI contract. As ownership of the long-term assets will pass to the council at the end of the contract for no additional charge, the council carries the assets on the Balance Sheet.

With effect from 1 April 2024, IFRS 16 (Leases) also applies to service concession arrangements. Under IFRS16, where indexation (or other changes in a rate) affects future service concession payments, the lease liability is required to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments. The effect of this has been to increase balance sheet assets by £13.595 million, with an equal increase in finance lease liabilities as at 1 April 2024.

The council has three Private Finance Initiative (PFI) contracts which are:

- A 25-year contract for the expansion and refurbishment of four secondary schools with Brighton & Hove City Schools Services Limited which started in April 2003. In 2005 the contract was varied to reduce the number of schools to three. In March 2010 the council negotiated the removal of 'soft services' (such as caretaking, cleaning, catering, grounds maintenance) and utilities from the contract.
- A 25-year contract for the provision of an integrated waste management services with South Downs Waste Services Ltd (now trading as Veolia ES South Downs Limited) jointly

with East Sussex County Council. The agreement started in April 2003 and has been extended by five years to the end of 2033.

- A 25-year contract for the provision of a new library and library service with NU Library for Brighton Limited which started in November 2004.

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

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

On expiry of the contracts the assets created under the PFI arrangements automatically revert to the council at nil consideration. Termination of the contracts prior to the expiry is permitted by either party but only in exceptional circumstances and only after a period of negotiation. There have been no material changes to any of the PFI contracts in 2024/25.

Liabilities - PFI Contracts

2024/25	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
	£'000	£'000	£'000	£'000
At 1 April 2024	**5,503**	**25,223**	**3,371**	**34,097**
Restatement of liability under IFRS 16	269	13,267	59	**13,595**
Lease Repayment	(1,250)	(3,317)	(478)	**(5,045)**
At 31 March 2025	**4,522**	**35,173**	**2,952**	**42,648**

2023/24	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
	£'000	£'000	£'000	£'000
At 1 April 2023	**6,549**	**27,266**	**3,797**	**37,612**
Lease Repayment	(1,046)	(2,043)	(427)	**(3,515)**
At 31 March 2024	**5,503**	**25,223**	**3,371**	**34,096**

Payments Due - PFI Contracts

The future payments for the library PFI contract are based upon a mix of projected inflation rates (retail price index, building maintenance and average earnings). The payment for services includes lifecycle payments towards the enhancement and maintenance of PFI assets and inflation.

The future payments for the waste PFI contracts are based on the Office for Budget Responsibility projected RPIX annual inflation rate to 2027/28, and 2.5% thereafter. The payment for services includes lifecycle payments towards the enhancement and maintenance of PFI assets and inflation.

The future payments for the schools and waste PFI contracts are based on a projected annual retail price inflation rate. The payment for services includes lifecycle payments towards the enhancement and maintenance of PFI assets and inflation.

2024/25	Repayment of Liability £'000	Interest Costs £'000	Payment For Services £'000	Total £'000
Within 1 year	1,366	378	2,133	**3,877**
Within 2 to 5 years	3,157	402	4,420	**7,979**
Total Payments Due - Schools	**4,523**	**780**	**6,553**	**11,856**
Within 1 year	3,527	1,934	11,042	**16,503**
Within 2 to 5 years	16,454	5,685	49,185	**71,324**
Within 6 to 10 years	15,192	1,714	41,573	**58,479**
Total Payments Due - Waste	**35,173**	**9,333**	**101,800**	**146,306**
Within 1 year	516	231	2,232	**2,979**
Within 2 to 5 years	2,436	490	9,751	**12,677**
Total Payments Due - Library	**2,952**	**721**	**11,983**	**15,656**
Within 1 year	5,409	2,543	15,407	**23,359**
Within 2 to 5 years	22,047	6,577	63,356	**91,980**
Within 6 to 10 years	15,192	1,714	41,573	**58,479**
Total Payments Due - All	**42,648**	**10,834**	**120,336**	**173,818**

2023/24	Repayment of Liability £'000	Interest Costs £'000	Payment For Services £'000	Total £'000
Within 1 year	1,153	579	2,073	**3,805**
Within 2 to 5 years	4,350	953	6,553	**11,856**
Total Payments Due - Schools	**5,503**	**1,532**	**8,626**	**15,661**
Within 1 year	2,174	1,386	10,956	**14,516**
Within 2 to 5 years	10,150	4,281	53,722	**68,153**
Within 6 to 10 years	12,898	1,835	60,555	**75,288**
Total Payments Due - Waste	**25,222**	**7,502**	**125,233**	**157,957**
Within 1 year	463	284	2,068	**2,815**
Within 2 to 5 years	2,249	710	9,004	**11,963**
Within 6 to 10 years	659	55	5,724	**6,438**
Total Payments Due - Library	**3,370**	**1,049**	**16,796**	**21,216**
Within 1 year	3,790	2,249	15,097	**21,136**
Within 2 to 5 years	16,749	5,944	69,279	**91,972**
Within 6 to 10 years	13,557	1,890	66,279	**81,726**
Total Payments Due - All	**34,095**	**10,083**	**150,655**	**194,834**

Assets - PFI Contracts

The assets held under the PFI arrangements are recognised on the council's balance sheet. The value of assets held under PFI contracts is £114.639 million at end March 2025 (£97.634 million March 2024).

2024/25	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Balance as at 1 April 2024				
Gross carrying amount	52,007	34,869	14,613	**101,489**
Accumulated depreciation	(3,836)	(19)	0	**(3,855)**
Restatement of asset under IFRS 16	269	13,267	59	**13,595**
Net Carrying Amount at 1 April 2024	**48,440**	**48,117**	**14,672**	**111,229**
Additions	518	13,324	59	**13,901**
Derecognition - disposals	(61)	0	0	**(61)**
Derecognition - disposals (depreciation)	7,977	1,009	446	**9,432**
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve				
Revaluation increases	4,528	0	0	**4,528**
Revaluation losses	(2,547)	(6,332)	(1,019)	**(9,898)**
Transactions charged to the surplus / deficit on the provision of services in the CIES				
Depreciation charge	(4,200)	(1,046)	(446)	**(5,692)**
Revaluation (losses)	(1,194)	(5,797)	0	**(6,991)**
Reversal of previous revaluation losses	(1,842)	0	0	**(1,842)**
Reversal of previous impairment losses	33	0	0	**33**
Net Carrying Amount at 31 March 2025	**51,652**	**49,275**	**13,712**	**114,639**
Gross carrying amount	51,712	49,331	13,712	**114,755**
Accumulated depreciation	(59)	(57)	0	**(116)**
Net Carrying Amount at 31 March 2025	**51,653**	**49,274**	**13,712**	**114,639**

2023/24	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Balance as at 1 April 2023				
Gross carrying amount	51,054	42,705	15,124	**108,883**
Accumulated depreciation	(137)	(2,133)	0	**(2,270)**
Net Carrying Amount at 1 April 2023	**50,917**	**40,572**	**15,124**	**106,613**
Additions	426	23	235	**685**
Derecognition - disposals	(72)	(2,133)	0	**(2,205)**
Derecognition - disposals (depreciation)	72	2,133	0	**2,205**
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve				
Revaluation increases	1,319	70	0	**1,389**
Revaluation losses	(460)	(5,147)	(363)	**(5,970)**
Transactions charged to the surplus / deficit on the provision of services in the CIES				
Depreciation charge	(4,426)	(1,260)	(353)	**(6,039)**
Revaluation (losses)	0	(154)	(31)	**(185)**
Reversal of previous impairment losses	395	746	0	**1,141**
Net Carrying Amount at 31 March 2024	**48,171**	**34,850**	**14,612**	**97,634**
Gross carrying amount	52,007	34,869	14,613	**101,489**
Accumulated depreciation	(3,836)	(19)	0	**(3,855)**
Net Carrying Amount at 31 March 2024	**48,171**	**34,850**	**14,613**	**97,634**

19. Contingent Assets and Contingent Liabilities

Contingent Assets

Vehicle Procurement

The council is part of a class action, led by the Local Government Association (LGA), against a group of vehicle manufacturers whom, it is alleged, have price fixed across Europe. The council has bought many of its vehicles outright over many years. The council is not able to quantify any potential financial compensation and is indemnified and insured against any material costs should the claim fail.

Credit Card Commission

The council is part of a class action, led by the Local Government Association, against Mastercard and Visa in relation to alleged fixing of interchange card fees. This action has been brought forward by a range of private and public sector organisations. The claim has succeeded in court and the council received an interim settlement of £120,382. A further compensation settlement is possible but is not quantifiable at this time.

Contingent Liabilities

General Legal and Litigation Claims

The council has some general legal claims or litigation cases which had not been resolved at the Balance Sheet date. None of these are quantifiable and nor are they material in value and the claims may be successfully defended.

Insurance Claims

The council is unable to identify with any accuracy which insurance claims will become payable in the future. Each individual claim is allocated a reserve at the time the claim is first brought against the council in accordance with common practice within the insurance industry. Actual payments can differ from initial estimates due to a range of factors including, but not limited to, the ability to successfully defend claims, the proportion of outstanding claims that become litigated, the level of legal fees and the judge presiding over trials.

Hove Station Footbridge Maintenance/Replacement Liability

The footbridge at Hove Station is a Grade 2 listed structure that provides pedestrian access over the railway between Hove Park Villas and Goldstone Villas. The footbridge is over 120 years old and engineering experience and judgement indicate that it is likely to be nearing the end of its economically maintainable life. An agreement dated 28 September 1889 outlines the responsibilities for ownership and maintenance of the footbridge. In summary, the footbridge remains in the ownership of the railway company (now Network Rail), but the cost of maintenance is recharged to the local council (now Brighton & Hove City Council). This historic agreement does not clarify what the financial responsibilities would be if the footbridge had to be replaced and/or restructured, for example, to improve access. The council therefore has a potential but unquantifiable financial liability dependent on when the footbridge needs remedial works and/or full replacement and on the final agreed interpretation of the responsibilities as set out in the historic legal agreement. The council believes it would be the responsibility of the owner of the structure (Network Rail) to fund the removal and replacement of any new footbridge.

HRA Disrepair Claims

Due to the nature of disrepair claims the council is unable to identify with any accuracy which disrepair claims will become payable in the future. Each individual claim is met from within HRA revenue resources in year as claims are settled, actual payments arising are subject to legal review meaning that the level at which a claim is settled can vary from the initial estimation made.

Large Panel System Blocks (LPS)

As part of the council's responsibilities under the Building Safety Act 2022 and Social Housing (Regulation) Act 2023, it commissioned detailed structural surveys on buildings within its housing stock. Structural engineers carried out investigations into each of the blocks. It was reported that the LPS eight blocks do not meet the current safety standards, in relation to their ability to resist a disproportionate collapse in the event of an explosion or large fire.

Interim works to the blocks together with a number of management measures, have been implemented to ensure that the buildings remain safe to occupy whilst longer-term decisions are taken on the future of the blocks. A technical options appraisal of the eight blocks is underway, and a paper was taken to July 2025 Cabinet outlining recommendations for the future of the blocks. The outcome was that Cabinet agreed that in principle the preferred option for addressing the structural and strengthening issues identified in respect of the LPS Blocks is the demolition and replacement of the LPS Blocks with new homes in keeping with the housing needs of the city, and regeneration of the site.

Equal Pay Claims

The council has received 1063 equal pay claims citing a number of areas of potential gender pay inequality. The council has a longstanding job evaluation scheme (Haye/Korn Ferry) against which all jobs are evaluated and keeps under review its pay and allowances structure. The council considers that the claims are defensible and has commissioned external legal advice to undertake the detailed analysis and advise the council on potential defences or any potential risks they may pose. This process is likely to take at least two years. Due to the uncertainty of the claims as well as not currently having any reliable data upon which to estimate the potential liability, the council cannot therefore make any financial assessment or judgement for inclusion in the statement of accounts.

Virgin Media

The council is aware of the "Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)" case. There is a potential for the outcome of the case to have an impact on the UK pension scheme. The case affects defined benefit schemes that provided contracted-out benefits before 2016.

In June 2023, the High Court found that changes to member benefits in contracted out defined benefit pension schemes between 1996 and 2016 required an actuarial certificate in line with section 37 of the Pension Schemes Act 1993 and that changes without this certification are to be considered void. The case was taken to the Court of Appeal in June 2024, and the original ruling was upheld.

As a result of this judgement, there may be a further liability to be incurred by the Council for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). However, it is not possible at present to estimate the potential impact, if any, on the Local Government Pension Scheme or the Fund and consequently on the figures within the Council's accounts

20. Related Parties

The council has the following material related party transactions.

Central Government

Central government has significant influence over the general operations of the council, provides the statutory framework within which the council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax, housing benefits and business rates). Details of the general grants and specific grants received from government departments in 2024/25 can be found in Note 16 Grants and Contributions**.**

Levying Authorities

Other public bodies may levy the council by making a demand on the council tax requirement. In 2024/25, the council paid levies of £0.242 million (£0.229 million 2023/24) to the Environment Agency, the Sussex Inshore Fisheries & Conservation Authority and various enclosure committees. These costs are included in other operating expenditure.

Members

Members of the council have direct control over the council’s financial and operating policies. The total of members’ allowances paid in 2024/25 is shown in Note 22 Member’s Allowances and Expenses. Details of the entities with whom members are involved are recorded in the Register of Members' Interests which can be found on the council’s website.

Some members have relationships or hold positions with other public bodies, schools, charities, voluntary organisations, and trusts with which the council interacts but does not have a financially material relationship.

Officers

During 2024/25, the council provided Chief Finance Officer (S151), financial and other services to the South Downs National Park Authority (SDNPA) on a contractual basis. During 2024/25, the council received £0.323 million (£0.317 million 2023/24) in respect of these services. The council also had a short-term investment with the SDNPA of £0.907 million as at 31 March 2025 (£4.587 million short-term borrowing at 31 March 2024) in accordance with the service contract and the SDNPA Annual Investment Strategy. The officers involved in providing S151 and other financial services to SDNPA could not influence these financial transactions as they were paid in accordance with the agreed contract terms and were not party to the procurement process for these services.

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

The council has various Section 75 arrangements with NHS partners for the provision of personal social services and community health care for adults. Transactions in respect of these Section 75 arrangements are detailed in Note 28 Partnership and Section 75 Arrangements.

Entities which are not controlled / significantly influenced by the council

The Sussex Innovation Centre acts as a business incubator and innovation support unit for Sussex and the South East. The council was a minority shareholder in this company but had no control or influence over the centre. The council surrendered to the company its shareholding in 2008/09. The share surrender was conditional upon Sussex University and the company undertaking that the premises and land would not be sold or transferred to a third party, nor a change be made for its usage regarding the purpose for which it was built without consent of the council and also that there would be no change, amendment or alteration made to the company's objects. Under the surrender agreement the university is obliged, until 2034, to indemnify the council, as the accountable body to the South East England Development Agency (or successor entity), for any repayment of grant in the event of a breach of the obligations as set out in the grant determination and terms of the surrender agreement.

The Brighton Dome & Museum Development Company Ltd is a special purpose vehicle set up for the redevelopment of the Brighton Dome and Museum. The council is a minority (19%) shareholder in this company; Brighton Dome & Festival Ltd is the majority shareholder. The council was one of the funding partners for the Brighton Dome & Museum Development Company Ltd, however the redevelopment is now complete and this company has fulfilled its original purpose. The company will remain in existence for future years but is dormant. The council nominates two members to sit on the board of trustees of Brighton Dome & Festival Ltd. The trustees are also company members and their liability is limited to £1.

Brighton & Hove Seaside Community Homes Ltd is a not for profit charitable company set up and funded by a third party independent to the council as a local delivery vehicle to raise investment for improvements to council dwellings. The company was incorporated in March 2009 and has leased 499 empty properties from the council. The primary objectives of the company are not confined solely to the dwellings leased from the council and the company is able, within its charitable objectives and with the approval of its primary funder, to undertake new ventures. The properties are let to homeless households and people with particular needs nominated by the council. The company's board membership comprises twelve directors of which the council may nominate up to four members to serve as directors.

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

The council has supported the creation of a **Local Government Municipal Bond Agency** which will seek to raise capital funding for local authorities at preferential rates. On 29 September 2014, the council invested £0.025 million to buy a shareholding in the company, UK Municipal Bonds Agency plc, and a further £0.025 million was invested in the shareholding on 13 October 2015. This investment is shown at 75% of the purchase price on the balance sheet.

The council provided financial support to the **East Sussex Credit Union Ltd** (trading as Wave Community Bank) in April 2016 with a membership deposit of £0.028 million and a subordinated loan of £0.250 million for the purpose of providing safe, affordable and accessible financial products to some of the city's most financially excluded and at-risk residents. The loan is interest free and was extended to 2036 at a Policy & Resources committee meeting on 16 March 2023

Better Brighton & Hove is a board (under review) initiated by a local charity, The Pebble Trust, to create an independent think tank to generate ideas and propose solutions to meet the challenges facing the city of Brighton & Hove. The Trust has a board of ten Trustees including the council as a corporate Trustee. The council has committed to provide the Trust with £0.250 million of in kind services. The Council will be able to control and/or influence the work of the trust with at least 40% of the funding going exclusively to identified Council priorities and having a say on how the rest is used.

The Royal Pavilion and Museums Trust is a charitable organisation that took over the management and operation of the Royal Pavilion and Museums' buildings and collections from Brighton & Hove City Council on the 1 October 2020. The buildings are leased to the Trust with a 25-year contract whereby the council is responsible for maintaining the buildings and provides a service fee to the Trust to run services. The Trust Board has 14 trustees of which three are Brighton & Hove City councillors. The transfer to the Trust aims to support the financial sustainability and resilience of the services provided, allowing for the potential to access grants not available to the Council and the freedom to develop and improve services. The Trust drew down on a £2 million loan facility with the council in 2021/22. A further £1m from their loan facility was drawn down in July 2024.

The **coroner jurisdictions for West Sussex and Brighton & Hove** were merged in April 2023 to form one jurisdiction and a shared service. West Sussex County Council are the lead authority, and the majority of the staff are employed through them. The council still operates a legacy administrative team and runs a mortuary used for post-mortems for deaths within Brighton & Hove. West Sussex County Council (WSCC) recharge the council for their proportion of costs including software applications and salaries of coroners and their staff. The costs recharged to the council by WSCC in 2024/25 amounted to £0.439 million.

Entities which are significantly influenced by the council

The **Homes for the City of Brighton & Hove Limited Liability Partnership (LLP)** was formed in November 2017. The council has 50% of the Management Board voting rights through three members appointed as Designated Members of the company, however, neither partner of the LLP has a casting vote, and any disputes require specific resolution as set out in the signed agreement. The aim of the company is to deliver 1,000 affordable homes, through social rent and shared ownership tenures. The LLP's Business Plan sets out the mechanism to deliver these homes, via a development company model whereby all homes are sold to the council or Hyde Housing Association upon completion. The company's strategic financial model still requires the council as defined by the original agreement signed in 2017 to provide finances to the LLP during the development of homes where a cash shortfall in the LLP is identified. This financing will be repaid before any surplus crystalizes from the sale of the properties to the councils' Housing Revenue Account.

Work during 2024/25 centred around identifying new sites for development, a business case for the development of 306 homes at Sackville Trading estate was approved in June 2024. This business case set out the council's financial liabilities form the General Fund and HRA. During the year the council provided £0.440m in loan funding which will be repaid over the course of construction of the new homes.

The council also provide Corporate & Financial Services to the LLP under a separate service contract.

Orbis is a partnership between Brighton & Hove City Council, Surrey County Council and East Sussex County Council that aims to provide Internal Audit & Counter Fraud, Insurance, Treasury Management, Procurement, and IT & Digital services to the partners as well as selling services externally to the public sector. Various services are currently provided to South Downs National Park Authority, Tandridge District Council, Adur & Worthing District Councils, East Sussex Fire & Rescue Authority, Sussex Police, and the Coast to Capital Local Enterprise Partnership. For 2022/23 the inter-authority agreement, which governs the partnership, was updated to reflect revised agreed contribution ratios which recognised that significantly more of the IT&D budget should be treated as sovereign expenditure and therefore be regarded as expenditure 'managed on behalf of' (MOBO) each partner authority. MOBO budgets are therefore under the direct control of each partner but are managed by the Orbis IT&D service on their behalf. The 2022/23 contribution ratios were still applicable in 2024/25 and remain in force until varied by agreement or until cessation of the Inter Authority Agreement. Member oversight of the partnership is provided by the Orbis Partnership Oversight Board which retains two members from each partner but is not a formal or public committee.

21. Officers' Remuneration

The remuneration paid to senior officers reporting directly to the Chief Executive, holding statutory posts or earning more than £150,000 per annum is detailed below.

		2024/25			
	Note	Salary (including Fees & Allowances)	Compensation for loss of office	Pension Contributions	Total Remuneration including Pension Contributions
Chief Executive - Jessica Gibbons	1	£213,935	£0	£38,561	**£252,495**
Corporate Director Families, Children & Learning	2	£109,147	£0	£21,356	**£130,502**
Corporate Director Families, Children & Wellbeing	3	£35,952	£0	£7,119	**£43,071**
Corporate Director Economy, Environment & Culture	4	£126,725	£142,388	£23,426	**£292,538**
Interim Corporate Director City Operations	5	£18,778	£0	£3,718	**£22,496**
Acting Executive Director Health & Adult Social Care	6	£94,003	£0	£18,613	**£112,616**
Acting Executive Director Housing, Neighbourhoods & Communities	7	£73,114	£0	£14,477	**£87,590**
Corporate Director Housing, Care & Wellbeing	8	£27,333	£0	£5,412	**£32,745**
Corporate Director Homes & Adult Social Care	9	£41,000	£0	£8,118	**£49,118**
Corporate Director Corporate Services and Monitoring Officer	10	£105,374	£0	£12,440	**£117,814**
Acting Corporate Director Corporate Services	11	£89,383	£0	£17,698	**£107,081**
Chief Finance Officer	12	£87,723	£0	£17,200	**£104,922**
Director Finance & Property	13	£29,812	£0	£5,903	**£35,715**
Director of Human Resources & Organisational Development	14	£83,367	£0	£16,507	**£99,874**
Director - People and Innovation	15	£19,656	£0	£3,892	**£23,548**
Director - Governance and Law	16	£30,000	£0	£5,940	**£35,940**
	Total	**£1,185,301**	**£142,388**	**£220,377**	**£1,548,066**

		2023/24			
		Salary (including Fees & Allowances)	Compensation for loss of office	Pension Contributions	Total Remuneration including Pension Contributions
Chief Executive - Geoff Raw		£26,023	£0	£3,486	**£29,510**
Interim Chief Executive		£147,314	£0	£27,572	**£174,886**
Chief Executive		£7,151	£0	£1,416	**£8,566**
Executive Director Families, Children & Learning		£133,736	£0	£26,480	**£160,216**
Executive Director Economy, Environment & Culture		£127,832	£0	£25,311	**£153,143**
Executive Director Health & Adult Social Care		£125,156	£307,392	£24,273	**£456,821**
Acting Executive Director Health & Adult Social Care		£6,348	£0	£1,257	**£7,605**
Executive Director Housing, Neighbourhoods & Communities		£136,397	£127,660	£25,483	**£289,541**
Acting Executive Director Housing, Neighbourhoods & Communites		£4,343	£0	£860	**£5,203**
Executive Director Governance, People & Resources		£133,736	£0	£26,480	**£160,216**
Chief Finance Officer		£113,368	£0	£22,374	**£135,742**
Director of Human Resources & Organisational Development		£113,235	£0	£22,374	**£135,609**
	Total	**£1,074,641**	**£435,052**	**£207,364**	**£1,717,058**

Notes

1. The Chief Executive's total remuneration included payments totalling £19,185 for returning officer duties and this payment was fully funded by central government.
2. Due to the organisational redesign, this post was deleted on 31 December 2024. The total remuneration includes a payment of £1,290 for election duties and this payment was fully funded by central government.
3. Due to the organisational redesign, this post was created on 1 January 2025.
4. Due to the organisational redesign, this post was deleted and the postholder left the council on 10 February 2025.
5. Due to the organisational redesign, this post was created on 1 January and was covered on an interim basis from 10 February 2025.
6. The Acting Executive Director Health & Adult Social Care post was deleted on 31 December 2024.
7. The Acting Executive Director of Housing, Neighbourhoods & Communities post was deleted on 31 October 2024.

8. Due to the organisational redesign, this post was deleted on 31 December 2024.
9. Due to the organisational redesign, this post was created on 1 January 2025.
10. The postholder left the council 15 September 2024 due to ill health.
11. This post was covered by interim arrangements from 8 May 2024 until the deletion of the post due to the organisational redesign on 31 December 2024.
12. Due to the organisational redesign, this post was deleted on 31 December 2024. The total remuneration includes a payment of £428 for election duties and this payment was fully funded by central government.
13. Due to the organisational redesign, this post was created on 1 January 2025.
14. Due to the organisational redesign, this post was deleted on 31 December 2024.
15. Due to the organisational redesign, this post was created on 1 January 2025.
16. Due to the organisational redesign, this post was created on 1 January 2025.

No expense allowances were paid in either 2024/25 or 2023/24.

Other Employee Remuneration

The following table sets out the numbers of employees in each total remuneration band for all those employees receiving more than £50,000 per annum (excluding employer's pension contributions).

Other Officer Remuneration		
Remuneration Band	2024/25 Employees	2023/24 Employees
£50,000 - £54,999	345	231
£55,000 - £59,999	194	194
£60,000 - £64,999	146	63
£65,000 - £69,999	78	60
£70,000 - £74,999	53	35
£75,000 - £79,999	24	12
£80,000 - £84,999	11	14
£85,000 - £89,999	14	7
£90,000 - £94,999	10	7
£95,000 - £99,999	7	7
£100,000 - £104,999	7	10
£105,000 - £109,999	5	3
£110,000 - £114,999	0	2
£115,000 - £119,999	3	3
£120,000 - £124,999	4	0
£125,000 - £129,999	1	0
£130,000 - £134,999	2	0
£135,000 - £139,999	1	0
£140,000 - £144,999	0	0
£145,000 - £149,999	3	0
£150,000 - £154,999	1	0
£155,000 - £159,999	1	0
TOTAL	910	648

22. Members' allowances and expenses

In 2024/25 the council paid £1.017 million (£0.891 million 2023/24) of allowances to members. There was £0.002 million of expenses for travel/subsistence on approved duties outside the Brighton and Hove City area claimed by members during 2024/25 (£0.001 million 2023/24). In 2024/25 members contributed £0.009 million towards travel and parking costs (£0.007 million 2023/24). Full details of allowances and expenses paid in 2024/25 can be found on the council's website Members' allowances (brighton-hove.gov.uk)

23. Termination benefits (including exit packages)

The council terminated the contracts of a number of employees during 2024/25 at a cost of £4.696 million (2023/24 £1.409 million). This includes £4.439 million for exit packages and £0.257 million for associated costs.

The council had a provision of £1.347 million at 31 March 2025 for committed payments for agreed voluntary redundancy packages. Please see Note 15 Provisions.

The following table shows the numbers and cost ranges for exit packages for compulsory and other redundancies agreed in the financial year.

Cost Band	Number of Compulsory Redundancies		Number of Other Departures		Total Number of Exit Packages		Total Cost of Exit Packages	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	0	0	71	29	71	29	542	170
£20,001 - £40,000	0	0	15	12	15	12	415	353
£40,001 - £60,000	0	0	10	3	10	3	502	143
£60,001 - £80,000	0	0	6	0	6	0	426	0
£80,001 - £100,000	0	0	2	2	2	2	174	185
£100,001 - £150,000	0	0	4	2	4	2	522	251
£150,001 - £200,000	0	0	2	0	2	0	326	0
£200,001 - £250,000	0	0	2	0	2	0	442	0
£250,001 - £300,000	0	0	1	0	1	0	291	0
£300,001 - £400,000	0	0	3	1	3	1	1,057	307
Total	**0**	**0**	**116**	**49**	**116**	**49**	**4,696**	**1,409**

This includes voluntary redundancy costs, early retirement pension costs and pay in lieu of notice.

24. Pension Schemes accounted for as Defined Contribution Schemes

Teacher’s Pensions Scheme

Teachers employed by the council are members of the Teachers’ Pension Scheme administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement and the council contributes towards the cost by making contributions based on a percentage of scheme members’ pensionable salaries. The scheme itself is a defined benefit scheme but however is unfunded. The Department for Education uses a notional fund as the basis for calculating the employers’ contribution rate paid by local authorities. The council accounts for the scheme on the same basis as a defined contribution scheme. In 2024/25 the council paid £20.688 million (2023/24 £16.873 million) to the Teachers Pensions Agency in respect of employees’ retirement benefits.

NHS Staff Pension Scheme

Former NHS employees that work for the council can choose to maintain their membership of the NHS Pension Scheme. The scheme provides these employees with specified benefits upon their retirement and the council contributes towards the costs by making contributions based on a percentage of members’ pensionable salaries. The scheme is an unfunded defined benefit scheme. The council accounts for the scheme on the same basis as a defined contribution scheme. In 2024/25 the council paid £0.037 million (2023/24 £0.038 million) to the NHS Business Service Authority in respect of employees’ retirement benefits.

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

25. Defined Benefit Pension Schemes

Employees of the council are entitled to become members of one of three separate pension schemes according to the terms of their employment. These are:

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

Employees contribute to these schemes, and the council also makes contributions towards the cost of post-employment benefits as part of the terms and conditions of employment of its employees. Although these benefits will not actually be payable until employees retire, the council is required to disclose the commitment in respect of the future payment of these benefits at the time that the employees earn their future entitlement.

East Sussex County Council acts as the scheme administrator of the East Sussex Pension Fund and is responsible for the management and administration of the Fund in line with the scheme regulations. Within the responsibilities of the scheme administrator is the requirement to liaise and communicate with employing authorities that participate in the fund, ensure adequate record keeping in respect of each member of the fund, to calculate and pay appropriate benefits to members and to produce the required information to comply with disclosure requirements.

The scheme is a funded defined benefit scheme, meaning that the employees and council pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets. In addition, the council has arrangements for the award of discretionary post-retirement benefits upon early retirement. This arrangement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and the council has to generate cash, for example, through savings on staffing costs to meet actual pension payments as they fall due.

Barnett Waddingham LLP, an independent firm of actuaries, provides the financial assessment of the council's Pension Fund. The calculations and advice given by Barnett Waddingham LLP in their actuarial report has been carried out in compliance with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC).

Transactions relating to Post-Employment Benefits

The cost of post-employment benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make to its General Fund and HRA is based on the cash payable in the financial year rather than the earned post-employment benefits, so the real cost of post-employment benefits is reversed out of the General Fund and HRA balances to the pensions reserve via the MiRS. The following transactions have been made in the CIES and MiRS during the financial year in relation to the scheme:

	2024/25 £'000	2023/24 £'000
Comprehensive Income & Expenditure Statement (CIES)		
Cost of Services		
Service Cost Comprising:		
Current service cost	33,264	31,571
Administrative expenses	1,259	1,155
Past service costs	990	365
Financing and Investment Income and Expenditure		
Net interest expense	(3,333)	(3,567)
Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services	**32,180**	**29,524**
Other Post Employment Benefits charged to the CIES		
Remeasurement of the Net Defined Benefit Liability comprising:		
Return on scheme assets	50,169	(38,423)
Change in demographic assumptions	(3,109)	(13,857)
Change in financial assumptions	(179,981)	(7,002)
Experience adjustments	(3,598)	3,850
Impact of asset ceiling	146,801	64,886
Remeasurement of the net assets / (defined benefit liability) before adjustment	**10,282**	**9,454**
Adjustment re remeasurements of the pension scheme	(926)	13
Post Employment Benefits charged to Other Income and Expenditure in the CIES	**9,356**	**9,467**
Other amounts charged against the General Fund for pensions in the reporting period		
Employers Contributions	(42,123)	(38,249)
Past Service Costs / Non Funded Pensions	(2,157)	(2,174)
Other amounts charged against the General Fund for pensions in the reporting period	**(44,280)**	**(40,423)**
Net Adjustment to the Pension Reserve (balance sheet)	**(2,744)**	**(1,432)**
Movement in Reserves Statement		
Reversal of IAS 19 charges made to the surplus / deficit for the provision of services for post employment benefits	32,180	29,524

Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included on the Balance Sheet in respect of the scheme is shown in the following table:

	2024/25 £'000	2023/24 £'000
Present value of the scheme liabilities	1,124,101	1,253,851
Fair value of scheme assets	1,499,360	1,467,298
Net (Asset) / Liability (unadjusted)	**(375,259)**	**(213,447)**
Asset ceiling adjustment for economic benefit	395,379	236,311
Net (Asset) / Liability	**20,120**	**22,864**

Pension Scheme Liabilities

The present value of liabilities shows the underlying commitments that the council has in the long run to pay post-employment benefits. The council is only required to fund the defined benefits when the pensions are due to be paid. The actuary will assess the need to increase contributions over the working life of scheme employees (i.e. before payments fall due) to make good the deficit on the fund as part of the triannual actuarial valuation.

	2024/25 £'000	2023/24 £'000
Opening defined benefit obligation	**1,253,851**	**1,210,159**
Current service cost	33,303	31,571
Interest cost	60,745	58,115
Change in financial assumptions	(179,981)	(7,002)
Change in demographic assumptions	(3,109)	(13,857)
Experience gain / (loss) on defined benefit obligations	(3,598)	3,850
Liabilities assumed / (extinguished) on settlements	(2,152)	0
Estimated benefits paid net of transfers in	(46,744)	(40,645)
Past service costs including curtailments	990	365
Contributions by scheme participants and other employers	13,046	13,493
Unfunded pension costs	(2,250)	(2,198)
Closing defined benefit obligation	**1,124,101**	**1,253,851**

Pension Scheme Assets

	2024/25	2023/24
	£'000	£'000
Opening fair value of fund assets	**1,467,298**	**1,348,849**
Interest on assets	76,345	70,121
Return on assets less interest	(50,169)	38,423
Administration expenses	(1,259)	(1,155)
Contribution by employer including unfunded	45,206	40,410
Contributions by scheme participants and other employers	13,046	13,493
Estimated benefits paid plus unfunded net of transfers in	(48,994)	(42,843)
Settlement prices received / (paid)	(2,113)	0
Closing fair value of fund assets	**1,499,360**	**1,467,298**

Asset Ceiling

The asset ceiling is the present value of any economic benefit available to the Employer in the form of refunds or reduced future employer contributions.

The closing position at 31 March 2025 is a net asset of £375.259 million (net asset of £213.447 million at 31 March 2024) before any adjustment for the asset ceiling. The council's chosen methodology, as advised to the actuary, assumes that it has no unconditional right to a refund from the Fund and therefore there is no economic benefit available in this form. The methodology assumes that economic benefit is available to the council as a reduction in future contributions; the asset ceiling therefore reflects the economic benefit that may be achieved through future contributions and has been calculated on this basis. The economic benefit available as a reduction in future contributions cannot be negative and is therefore restricted to the size of the net asset.

The impact of the asset ceiling is shown in the table below:

	2024/25	2023/24
	£'000	£'000
Opening impact of asset ceiling	236,311	162986
Interest on impact of asset ceiling	12,267	8439
Actuarial losses / (gains)	146,801	64,886
Closing impact of asset ceiling	**395,379**	**236,311**

The actuary's calculation of the asset ceiling has followed their interpretation of IFRIC4 and assumes that:

- The Employer does not have a right to a refund of surplus at the level required by the accounting standard. Any surplus recognised is based on the economic benefit from a reduction in contributions.
- The Employer is a scheduled body and assumed to participate indefinitely
- The requirement for the employer to make contributions to the Fund may be considered to be a minimum funding requirement (MFR). However, the employer has chosen to interpret FRS102 such than an MFR does not apply.

Local Government Pension Scheme assets comprised

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

	31 March 2025	
	Quoted	Unquoted
Index Linked Government Securities - UK	0%	7%
Index Linked Government Securities - Overseas	0%	0%
Corporate Bonds - UK	0%	0%
Corporate Bonds - Overseas	0%	10%
Equities - UK	0%	0%
Equities - Overseas	8%	35%
Property	0%	6%
Absolute return portfolio	0%	15%
Private Equity	0%	7%
Infrastructure	0%	8%
Private Debt	0%	1%
Cash/Temporary Investments	2%	0%
Subtotal	**11%**	**89%**
	Total	**100.0%**

Basis for Estimating Assets and Liabilities

The scheme's assets and liabilities have been estimated by the actuary based on the latest full valuation of the scheme at 31 March 2022. Liabilities for the scheme have been assessed on an actuarial basis using the projected unit credit method (i.e. an estimate of the pensions that will be payable in future financial years dependent on assumptions about mortality rates, salary levels etc.).

Actuarial assumptions are used by the actuary to calculate the valuation of the scheme. Risks and uncertainties are inherently associated with the assumptions that are adopted. The assumptions are in effect projections of future investment returns and demographic trends many years into the future and there is inevitably a great deal of uncertainty inherent in what constitutes the 'best estimate' with such projections as required by IAS 19 Employee Benefits. The actuary has interpreted 'best estimate' to mean that the proposed assumptions are 'neutral' and has advised that there is an equal chance of actual experience being better or worse than the assumptions used. The following table shows the principal assumptions used by the actuary at 31 March 2025.

	31 March 2025	31 March 2024
Assumed life expectation at 65 retiring today - men	20.9	20.9
Assumed life expectation at 65 retiring today - women	23.9	23.8
Assumed life expectation at 65 retiring in 20 years - men	21.9	21.9
Assumed life expectation at 65 retiring in 20 years - women	25.4	25.4
Discount/return on assets rate	5.80%	4.90%
Pension increases	2.90%	2.95%
RPI inflation	3.20%	3.25%
Salary increases	2.90%	2.95%

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

Sensitivity to Assumptions

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

	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,045,069	1,107,535	1,124,101	1,141,071	1,213,248
Projected service cost	22,320	25,683	26,591	27,528	31,589
Adjustment to long term salary increase	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,129,142	1,125,095	1,124,101	1,123,113	1,119,232
Projected service cost	26,591	26,591	26,591	26,591	26,591
Adjustment to pension increases and deferred revaluation	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,210,409	1,140,543	1,124,101	1,108,044	1,047,470
Projected service cost	31,792	27,567	26,591	25,645	22,136
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**		
Present value of total obligation	1,163,780	1,124,101	1,085,921		
Projected service cost	27,622	26,591	25,586		

Asset and Liability Matching Strategy

East Sussex County Council as the scheme administrator of the East Sussex Pension Fund has agreed a diversified investment strategy with the aim of limiting risk.

Approach to Investment Portfolio

The strategic investment benchmark is heavily weighted towards equities as the asset class expected to provide the highest return over the medium to long term. There is also a significant exposure to property and infrastructure (i.e. 'real' assets with a different performance cycle to equities) and a small exposure to bonds (which more closely 'match' the Fund's liabilities). The allocation to absolute return mandates provides further diversification. Uniquely within those mandates the Fund managers have the flexibility to alter allocations between asset classes. Within equities, diversification is achieved by investing in different markets across the world, which provides exposure to many different stocks and sectors. The Fund also holds private equity which is expected to lead to higher returns over the longer term without adding significantly to overall risk.

Approach to Fund Managers

The Fund employs several fund managers with differing styles and management approaches. This is a deliberate policy to spread the risk by avoiding over dependence on the expertise of a single manager. All managers are expected to maintain well diversified portfolios. The investment strategy is monitored annually or more frequently if necessary.

Impact on the Council's Cash Flows

The objectives of the scheme are set out in East Sussex Pension Fund's Funding Strategy Statement (FSS), dated February 2017. In summary, these are to ensure the long term solvency of the Fund, to ensure that employer contribution rates are reasonably stable where appropriate, to minimise the long term cash contributions which employers need to pay to the Fund, to reflect the different characteristics of different employers in determining contribution rates and to use reasonable measures to reduce the risk from an employer defaulting on its pension obligations. The fund has agreed a strategy with its actuary to achieve a funding level of 100% over the next 20 years. The funding level for the Fund is monitored on a regular basis. The last triennial valuation was completed on 31 March 2022 and reported a surplus of funds (estimated funding level of 123%).

The contributions paid by the council are set by the Fund actuary at each triennial actuarial valuation or at any other time as instructed to do so by the Fund. The contributions payable over the period to 31 March 2025 are set out in the Rates and Adjustments certificate. For further details on the approach adopted to set contribution rates for the council please refer to the 31 March 2022 actuarial valuation report which can be found on East Sussex County Council's website, www.eastsussex.gov.uk.

Projected pension expense for the year to 31 March 2026

The following table is the projected amount to be charged to the CIES for the financial year to 31 March 2026 and the expected employer contributions in 2025/26:

	31 March 2026
	£'000
Service cost	26,591
Net interest on the defined liability / (asset)	(22,947)
Administration expenses	1,268
Total loss/(profit)	**4,912**
Employer contributions	**39,082**

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2025.

26. External Audit Costs

In 2024/25 the council incurred the following costs in relation to the audit of the financial statements and the certification of grant claims and returns.

	2024/25	2023/24
	£'000	£'000
Fees payable to the external auditors for audit services	450	443
Fees payable to the external auditors for certification of grant claims and returns	47	47
Total External Audit Costs	**497**	**490**

27. Agency Services

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

Council Tax

The council is a billing authority for council tax and acts as an agent on behalf of the Sussex Police & Crime Commissioner and the East Sussex Fire Authority. The council has included a debtor of £1.178 million (£1.085 million 2023/24) for council tax income collected as an agent which has been overpaid to the two preceptors at end March 2025.

Non-Domestic Rates (NDR)

The council is a billing authority for non-domestic rates and acts as an agent on behalf of central government and the East Sussex Fire Authority. The cash collected by the council from non-domestic rates taxpayers belongs proportionately to the council, central government and the precepting authority. The council has recognised a creditor of £0.463 million (debtor of £1.317 million 2023/24) for cash collected from non-domestic rates taxpayers as an agent for central government and the precepting authority, but which has been overpaid at end March 2025.

The Collection Fund Statement and Notes provide more details of the income and expenditure relating to these agency arrangements.

28. Partnership and Section 75 Arrangements

Under Section 75 (S75) of the National Health Service Act 2006, National Health Service (NHS) bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services or pooled budgets. During 2024/25, the council was party to the following S75 arrangements:

Adult Social Care

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

The gross income to the partnership in 2024/25 is £31.563 million (2023/24 £27.123 million) including CCG commissioning contributions. The council's share of the expenditure and income is included in the Homes & Adult Social Care Cost of Services within the CIES. This share equates to £22.204m in 2024/25 (£18.551m 2023/24)

	2024/25	2023/24
	£'000	£'000
Sussex Partnership Foundation Trust	676	518
Brighton & Hove City Council	22,204	18,551
Brighton & Hove Integrated Care Board	8,683	8,054
Total Section 75 Contributions	**31,563**	**27,123**

Better Care Fund (Adult Social Care)

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

With effect from 1 April 2015, some adult social care services, covering the geographical area of the council, have been provided under the Better Care Fund partnership arrangement. The

CCG acts as the lead commissioner for proactive care services, integrated primary care teams, homeless projects, and dementia services. The council is the lead commissioner for the community equipment store (from 1 October 2015), the protecting social care function, carers and keeping people well services. Although there are lead commissioners for services, all decisions are made jointly by both organisations and signed off within the Better Care governance framework, therefore the council accounts for the transactions on a net accounting basis. The gross income to the partnership in 2024/25 was £37.838 million (2023/24 £36.264 million). The council's share of the expenditure and income is included in the Homes & Adult Social Care Cost of Services within the CIES. This share equates to £12.470m in 2024/25 (£12.254m 2023/24)

	2024/25	2023/24
	£'000	£'000
Brighton & Hove City Council	(12,470)	(12,254)
Brighton & Hove Integrated Care Board	(25,368)	(24,010)
Total Better Care Fund	**(37,838)**	**(36,264)**

2024/25	ICB £'000	Council £'000	Total £'000
Income and Expenditure			
Contribution to the Pooled Budget - Cash or Kind	(25,368)	(12,470)	(37,838)
Net Expenditure from the Pooled Budget	15,695	22,164	37,859
Surplus/(Deficit) to be shared across parties to the pooled budget			**21**
Balance Sheet			
Contribution to the pooled budget	(25,368)	(12,470)	(37,838)
Total Spend	**(25,368)**	**(12,470)**	**(37,838)**
Cash	25,311	12,548	37,859
Debtors	0	(67)	(67)
Creditors	67	0	67
Cumulative Surplus/Deficit	**10**	**11**	**21**

ORBIS Joint Operating Budget

Orbis is a shared back-office services partnership between Brighton and Hove City Council, East Sussex County Council, and Surrey County Council. Funding provided to the pooled budget in 2024/25 was £12.678 million (2023/24 was £12.858 million). The funding included: Surrey County Council £6.263 million (2023/24 £5.883 million), East Sussex County Council £4.739million (2023/24 £5.166 million) and Brighton and Hove City Council £1.677 million (2023/24 £1.809 million). The expenditure met from the pooled budget in 2024/25 was £12.678 million (2023/24 £12.858 million) resulting in a net surplus / deficit on the pooled budget of £nil in both 2024/25 and 2023/24.

29. Trust Funds

The council acts as trustee for various trust funds and holds funds on their behalf. The table below sets out the balances held on behalf of each trust fund.

Capital Market Value		Balance 1 April 2024	Expenditure	Income	Balance 31 March 2025
£'000		£'000	£'000	£'000	£'000
2,034	Brighton Fund	(210)	62	(67)	(215)
5,732	Gorham's Gift	22	91	(92)	21
1,103	Hedgcock Bequest	(141)	44	(44)	(140)
28	Music Trust	(12)	21	(1)	7
234	Various library and museum bequests	(242)	4	(20)	(258)
9,131	Total Trust Fund Accounts	(583)	222	(224)	(585)

The capital market value shows the valuation of Charities Official Investment Fund shares and other investments at the mid-market prices at 31 March 2025. The council acts as the sole trustee in respect of all funds listed with the exception of Gorham's Gift.

Brighton Fund

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

Gorham's Gift

The Gorham's Gift Trust was set up by a wealthy landowner to help maintain the village of Telscombe and the neighbouring area.

Hedgcock Bequest

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

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.

Various library and museum bequests

These relate to various small bequests made to Brighton & Hove libraries and museums with conditions attached to their use.

30. Organisation Restructure

The council restructured in 2024/25 and the prior year directorate spend, and income in the CIES has been restated to reflect this so that the two years are comparable. The prior years original directorates with spending and income detail can be found in the council's 2023/24 Statement of Accounts on the council's website. The net expenditure movement to the new structure is set out below:

	Cost of Services as per 2023/24 Accounts	Families, Children & Wellbeing	Home & Adult Social Care	City Operations	Central Hub	Centrally Held Budgets	Housing Revenue Account (HRA)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Families Children & Learning	80,807	80,339		132	335		
Dedicated Schools Grant	(1,129)	(1,129)					
Health & Adult Social Care	128,447	2,548	125,564	(275)	610		
Economy Environment & Culture	73,934	510	(451)	55,787	18,088		
Neighbourhood Comms & Housing	22,702	10,866	13,781	1,299	(3,243)		
Governance People Resources	33,360			10,980	22,381		
Centrally Held Budgets	18,576					18,576	
Housing Revenue Account	21,255						21,255
	377,952	**93,134**	**138,894**	**67,924**	**38,170**	**18,576**	**21,255**

Housing Revenue Account and Notes

Housing Revenue Account Income and Expenditure Statement

This account shows the cost of financing, managing, and maintaining the council's housing stock. The total cost is met by income from rents, charges, and other income such as commercial rents.

	Year ending 31 March 2025	Year ending 31 March 2024
	£'000	£'000
Expenditure		
Repairs and maintenance	15,865	13,990
Supervision and management	31,881	28,694
Rents, rates, taxes and other charges	2,271	2,150
Non-current asset charges	43,633	47,154
Debt management costs	73	49
Movement in allowance for bad debts	533	571
Total Expenditure	**94,254**	**92,608**
Income		
Dwelling rents	(69,003)	(61,337)
Non-dwelling rents	(1,886)	(1,766)
Charges for services and facilities	(7,734)	(7,574)
Other income	(876)	(933)
Total Income	**(79,498)**	**(71,611)**
Net (Income)/Expenditure	**14,756**	**20,997**
Share of corporate and democratic core	266	258
Net (Income)/Expenditure included in CIES	**15,022**	**21,255**
Gain on disposal of non-current assets	(1,550)	(2,930)
Changes in the fair value of investment properties	(2)	4
Investment property income	(31)	(34)
Interest payable	5,955	6,011
Interest receivable	2,566	708
Capital grants and contributions	(4,456)	(6,416)
Net interest on the net defined benefit liability	(270)	(291)
Non Ringfenced Government Grants	(28)	(53)
Share of Operating Income and Expenditure	**2,184**	**(3,002)**
(Surplus)/Deficit on the Provision of Services	**17,206**	**18,253**

Movement on the HRA statement

	31 March 2025	31 March 2024
	£'000	£'000
Balance on the HRA at the end of the previous year	**4,120**	**4,169**
Surplus/(deficit) for the year per income and expenditure statement	(17,206)	(17,761)
Adjustments between accounting basis and funding basis under statute	18,840	17,249
Net increase/(decrease) before transfers to or from earmarked reserves and HRA balance	**1,635**	**(512)**
Transfers to/(from) earmarked reserves	7,089	(28)
Total increase/(decrease) in year	**8,723**	**(540)**
Balance on the HRA at the end of the year	**12,844**	**3,628**
Working balance	11,657	4,120
Earmarked reserves	1,187	7,089
Total HRA Reserves	**12,844**	**11,209**

More details of the movements on HRA reserves are provided in Note 8 Usable Reserves.

Notes to the Housing Revenue Account

1. HRA Asset Value

	31 March 2025	31 March 2024
	£'000	£'000
Council dwellings	1,050,198	1,056,657
Other land and buildings	18,058	17,136
Assets Under Construction	19,985	17,250
Investment properties	285	283
Intangible assets	2,104	2,188
Vehicles, plant and equipment	288	430
Total	**1,090,917**	**1,093,944**

The vacant possession value of HRA tenanted dwellings is £3,182 million at 31 March 2025 (£3,202 million at 31 March 2024). The difference between the vacant possession value and the balance sheet value of council dwellings is an estimation of the economic cost of providing housing at below market rents. This cost is determined by applying the central government prescribed discount rate of 33% to the vacant possession value.

There are no impairment charges for land, dwellings and other property within the HRA in 2024/25 (£nil million 2023/24).

2. HRA in-year depreciation

	31 March 2025	31 March 2024
	£'000	£'000
Council dwellings	16,268	16,085
Other land and buildings	297	259
Assets Under Construction	0	0
Intangible assets	803	468
Vehicles, plant and equipment	277	127
Total	**17,645**	**16,939**

3. HRA Rent Arrears and Bad Debt Provision

At 31 March 2025, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £5.438 million (£4.619 million 31 March 2024). This represents an increase in arrears as a proportion of gross rental income from 7.41% to 7.77%. The provision for bad debts is detailed in the below table:

	2024/25	2023/24
	£'000	£'000
Impairment 1 April 2024	**3,083**	**2,662**
Change in impairment charged to the HRA	534	571
Rent arrears and other bad debts written off	30	(150)
Impairment 31 March 2025	**3,648**	**3,083**

The following table shows the debts past their due date, but which have not been impaired:

	31 March 2025	31 March 2024
	£'000	£'000
Less than 3 months	177	151
Between 3 and 6 months	430	343
Between 6 and 12 months	402	401
More than 12 months	3,711	3,117
Total	**4,720**	**4,012**

4. HRA Stock/Dwellings

The council managed 12,181 dwellings at the end March 2025 (12,039 end March 2024).

	0 Bed	1 Bed	2 Bed	3 Bed	4+ Bed	Total
2024/25	No.	No.	No.	No.	No.	No.
Bedsits	569	28	0	0	0	597
Bungalows	25	172	28	24	2	251
Flats	14	3,716	3,104	258	1	7,093
Houses	0	20	1,400	2,345	298	4,063
Maisonettes	0	5	101	65	6	177
Total Dwellings	**608**	**3,941**	**4,633**	**2,692**	**307**	**12,181**

2023/24	0 Bed No.	1 Bed No.	2 Bed No.	3 Bed No.	4+ Bed No.	Total No.
Bedsits	569	28	0	0	0	597
Bungalows	25	172	28	24	1	250
Flats	12	3,666	3,050	241	1	6,970
Houses	0	21	1,397	2,333	294	4,045
Maisonettes	0	5	101	65	6	177
Total Dwellings	**606**	**3,892**	**4,576**	**2,663**	**302**	**12,039**

This movement in council dwellings is as follows:

	2024/25 No.	2023/24 No.
Stock 1 April 2024	**12,039**	**11,818**
Sales	(19)	(18)
Conversions/new homes	161	239
Stock 31 March 2025	**12,181**	**12,039**

5. HRA Capital Investment and Financing

The council made £70.954 million of capital investment in the Housing Revenue Account (HRA) in 2024/25. The following table sets out the resources that have been used to finance that investment.

	2024/25 £'000	2023/24 £'000
Total Capital Investment	**70,954**	**70,739**
Major Repairs Reserve	(16,268)	(16,085)
Revenue contributions	0	(2,652)
Reserves	(1,828)	(1,257)
Capital receipts	(4,595)	(2,563)
Capital grants and contributions	(5,090)	(10,589)
HRA Borrowing Requirement	(43,173)	(37,594)
Total Funding	**(70,954)**	**(70,739)**

6. Housing Capital Receipts

Receipts from the sale of HRA assets in 2024/25.

	2024/25 £'000	2023/24 £'000
Right to buy sales of houses and flats	2,950	3,689
Sale of land and other property	163	810
Total	**3,113**	**4,499**

Collection Fund Statement and Notes

The Collection Fund shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from local taxpayers, and its subsequent distribution to local authorities and the Government. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies concerned (i.e. major preceptors, the billing authority and the Government).

Year Ended 31 March 2024		Year Ended 31 March 2025		
		Council Tax	Non Domestic Rates	Total
£'000		£'000	£'000	£'000
(205,952)	Council tax	(219,417)		**(219,417)**
(94,962)	Non-domestic rates		(106,934)	**(106,934)**
(300,914)		**(219,417)**	**(106,934)**	**(326,351)**
(6,691)	Transitional protection payments non-domestic rates		(1,713)	**(1,713)**
	Contributions towards previous year's Collection Fund deficit			
0	Central Government	0	(1,853)	**(1,853)**
(3,043)	Brighton & Hove City Council	(1,174)	(1,816)	**(2,989)**
(374)	Sussex Police & Crime Commissioner	(149)	0	**(149)**
(172)	East Sussex Fire Authority	(65)	(37)	**(102)**
(3,589)	**Contributions towards previous year's Collection Fund deficit**	**(1,388)**	**(3,705)**	**(5,093)**
(311,193)	**Total amount required by statute to be credited to the Collection Fund**	**(220,805)**	**(112,352)**	**(333,157)**
	Precepts and demands from major preceptors and the council - council tax			
173,352	Brighton & Hove City Council	185,148		**185,148**
22,068	Sussex Police & Crime Commissioner	23,666		**23,666**
9,601	East Sussex Fire Authority	10,058		**10,058**
205,021		**218,872**		**218,872**
	Shares of non-domestic rates income to major preceptors and the council			
52,579	Brighton & Hove City Council		54,152	**54,152**
1,073	East Sussex Fire Authority		1,105	**1,105**
53,652			**55,257**	**55,257**
53,652	Payment with respect to central share (including allowable deductions) of the non-domestic rates income to be paid to central government		**55,257**	**55,257**
	Impairment of debts / appeals for council tax			
321	Write off of uncollectable amounts	8		**8**
2,152	Allowance for impairment	2,864		**2,864**
2,473		**2,873**		**2,873**
	Impairment of debts / appeals for non-domestic rates			
77	Write off of uncollectable amounts		293	**293**
817	Allowance for impairment		468	**468**
894			**761**	**761**
(542)	Movement in the provision for business rates appeals		(250)	**(250)**
441	Charge to General Fund for allowable collection fund costs for non-domestic rates		439	439
(101)			**189**	**189**
	Contributions towards previous year's Collection Fund surplus			
420	Central Government	0	0	**0**
412	Brighton & Hove City Council	0	0	**0**
0	Sussex Police & Crime Commissioner	0	0	**0**
8	East Sussex Fire Authority	0	0	**0**
840		**0**	**0**	**0**
316,431	**Total amount required by statute to be debited to the Collection Fund**	**221,745**	**111,465**	**333,210**
5,237	**Movement on the Collection Fund Balance**	**939**	**(887)**	**53**
2,309	**Opening Collection Fund Balance**	**1,536**	**6,011**	**7,546**
7,546	**Closing Collection Fund Balance**	**2,475**	**5,124**	**7,599**

Notes to the Collection Fund Account

1. Collection Fund - Council Tax

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

Band	Estimated number of Chargeable Dwellings	Estimated number of Chargeable Dwellings after Discounts	Band Ratio	Band D Equivalent Dwellings
	No.	No.		No.
Band A*	23	19.50	5/9	10.80
Band A	26,793	18,192.00	6/9	12,128.00
Band B	29,021	22,325.25	7/9	17,364.10
Band C	32,464	27,336.00	8/9	24,298.70
Band D	19,075	17,101.00	9/9	17,101.00
Band E	11,354	10,490.00	11/9	12,821.10
Band F	4,704	4,404.00	13/9	6,361.30
Band G	2,740	2,602.75	15/9	4,337.90
Band H	179	167.50	18/9	335.00
				94,757.90
Less provision for losses on collection				(1,183.50)
Tax Base for 2024/25				**93,574.40**
Tax Base for 2023/24				**91,986.30**

* Entitled to disabled relief reduction.

The estimated gross council tax yield (before the provision for losses in collection) for 2024/25 of £221.641 million was based on Band D equivalent dwellings of 94,757.9 multiplied by the average Band D council tax charge £2,339.02. The actual gross council tax yield for 2024/25 was £220.861 million is equivalent to a decrease of 333 Band D dwellings. The estimated and actual tax base amounts will vary due to a number of factors; these include the effects of banding appeals, new properties and entitlements to exemptions and discounts. The year end deficit of £2.475 million includes a combination of increased costs from council tax reduction discounts, students and severely mentally impaired exemptions. In addition, there was a shortfall in ultimate collection linked to challenging economic conditions and cost of living pressures.

2. Collection Fund – Non-Domestic Rates

The council is responsible for collecting non-domestic rates in Brighton and Hove. Under the Business Rates Retention Scheme, the council retains 49% of the non-domestic rates income it collects. Of the remainder 50% is paid over to central government and 1% to the East Sussex Fire Authority. Non-domestic rates are charged based on the rateable value for business premises multiplied by the non-domestic multiplier. The total non-domestic rateable value at 31 March 2025 was £317.690 million (£313.984 million at 31 March 2024). The non-domestic multiplier for 2024/25 was 54.6p and the small business non-domestic multiplier was 49.9p.

Accounting Policies

General Principles

The statement of accounts summarises the council's transactions for the reported financial year and its position at the year end. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 (as amended) which require the financial statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) underpinned by International Financial Reporting Standards (IFRS). The accounting convention adopted in the financial statements is principally historical cost modified by the revaluation of certain categories of non-current assets and financial instruments. It is not the council's policy to adjust for immaterial cross-casting differences between the main statements and the disclosure notes.

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

Prior period adjustments may arise due to a change in accounting policies or to correct a material error. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts and fraud. Changes in accounting estimates are accounted for prospectively (i.e. in the current and future financial years affected by the change) and do not give rise to a prior period adjustment.

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

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

Accounting Concepts

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

- **Relevance:** the financial statements are prepared with the objective of providing information about the council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.
- **Materiality:** the concept of materiality has been utilised in preparing the financial statements (i.e. if omitting or misstating information would affect the interpretation of the financial statements and influence decisions that users make).
- **Faithful Representation:** the financial information included in the financial statements is complete within the boundaries of materiality, free from material error and free from deliberate or systematic bias.
- **Comparability:** the financial statements are prepared in accordance with the requirements of the Code which establishes proper practice in relation to consistent financial reporting and aids comparability with other local authorities.

- **Verifiability:** the financial information included in the financial statements faithfully represents the financial position, performance, and cash flows of the council. The council includes explanations and disclosures of the judgements, assumptions, methodology and other factors and circumstances in preparing its financial statements.
- **Timeliness:** the information included in the financial statements is available to decision makers in time to be capable of influencing their decisions.
- **Understandability:** the financial statements are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to ensure that the financial information included in the financial statements is presented clearly and concisely and notes and commentaries are provided that explain and interpret the key elements of the financial statements for the user.
- **Going Concern:** the financial statements are prepared on the assumption that the functions of the council will continue in operational existence for the foreseeable future. As Local Authorities cannot be created or dissolved without statutory prescription, the council must prepare its financial statements on a going concern basis.

Fair Value Measurement

The council measures some of its non-financial assets and financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in either the principal market for the assets or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy: Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date; Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and Level 3 – unobservable inputs for the asset or liability.

School Transactions

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

Grants and Contributions

Whether paid on account, by instalments or in arrears, grants and contributions are recognised as due to the council when there is reasonable assurance that the council will comply with the conditions attached to the payments and the grants or contributions received. Amounts recognised as due to the council are not credited to the Comprehensive Income Expenditure Statement (CIES) until conditions attached to the grant or condition have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or condition are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Revenue grants or contributions received for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service (in respect of attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (in respect of non-ringfenced revenue grants) within the CIES. Revenue grants or contributions with no conditions attached are recognised as income within the CIES at the point of receipt.

Capital grants or contributions received for which conditions have not been satisfied are carried on the Balance Sheet as capital grants receipts in advance. When the conditions are satisfied, the grant or contribution is credited to taxation and non-specific grant within the CIES. Where capital grants or contributions are credited to the CIES, they are reversed out of the General Fund/Housing Revenue Account (HRA) balance in the Movement in Reserves Statement (MiRS). Where the grant or contribution has yet to be used to finance capital expenditure it is posted to the capital grants unapplied reserve; where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the capital grants unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Revenue Recognition

Revenue is recognised in accordance with International Financial Reporting Standard (IFRS)15 Revenue Recognition from Contracts with Customers and International Public Sector Accounting Standard (IPSAS) 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Which of the two standards is applicable depends on determining whether the transaction is an exchange (IFRS 15) or non-exchange transaction (IPSAS 23). With non-exchange transactions there is no or only nominal consideration in return. The obligating extent is often determined by statutory prescription (e.g. council tax, VAT or a fine for breach of law) or may be a donation or bequest. For exchange transactions, assets or services and liabilities of approximately equal value are exchanged (e.g. fees and charges for services and the sale of goods provided). There is a contract which creates both right and obligations. Under IFRS15, the performance obligations in the contract have to be measured and the transaction price allocated to these obligations. Revenue is recognised when the performance obligations are satisfied.

Charges to Revenue for Non-Current Assets

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

- **Depreciation** attributable to the assets used by the relevant service.
- **Revaluation and impairment losses** on assets used by the service where there are no accumulated gains in the revaluation reserve against which losses can be written off.
- **Amortisation of intangible assets** attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution – the Minimum Revenue Provision (MRP) - from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP in the General Fund/HRA balance via the Capital Adjustment Account in the MiRS for the difference between the two.

Tax Income (Council Tax and Non-Domestic Rates)

Council Tax

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

The Cash Flow Statement includes within operating activities only the council's own share of council tax net cash collected from council tax debtors; and the amount included for precepts paid excludes amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from council tax debtors and net cash paid to major preceptors as precepts and settlement of the previous financial year's surplus or deficit on the Collection Fund is included as financing activities within the Cash Flow Statement. Council tax income is included within the CIES and represents the council's share of accrued income for the financial year. However, regulations determine the amount of council tax that must be included in the council's General Fund. Therefore, the difference between the income included within the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and reported in the MiRS. The Balance Sheet includes the council's share of the end of year balances in respect of council tax relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Non-Domestic Rates

The council collects non-domestic rates income under an agency arrangement. The cash collected by the council from non-domestic rates taxpayers belongs proportionately to the council, central government, and its major preceptor. There will therefore be a debtor or creditor position between the council, central government, and the major preceptor to be recognised since the net cash paid to central government and the major preceptor will not be its share of cash collected from non-domestic rates taxpayers. If the net cash paid to central government or the major preceptor is more than its proportionate share of net cash collected from non-domestic rates taxpayers, the council recognises a debit adjustment for the amount overpaid to central government or the major preceptor in the financial year. If the cash paid to central government or the major preceptor is less than its proportionate share of net cash collected from non-domestic rates taxpayers, the council recognises a credit adjustment for the amount underpaid to central government or the major preceptor in the financial year. Non-domestic rates income is included within the CIES and represents the accrued income for the financial year. The allowance for the cost of collection is included within the CIES. However, regulations determine the amount of non-domestic rates that must be included in the council's General Fund. Therefore, the difference between the non-domestic rates income included within the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and reported in the MiRS.

The Cash Flow Statement includes within operating activities only the council's share of non-domestic rates income, net cash collected from non-domestic rates debtors and the amount paid excludes amounts paid to central government and the major preceptor. The difference between central government's and the major preceptor's share of the net cash collected from non-domestic rates debtors and net cash paid to central government and the major preceptor as precepts and settlement of the previous financial year's surplus or deficit on the Collection Fund for non-domestic rates income is reported as financing activities within the Cash Flow Statement. Non-Domestic Rates top up/tariff payments are recognised within the CIES on an accruals basis under taxation and non-specific grant income. The Balance Sheet includes the council's share of the end of year balances in respect of non-domestic rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Value Added Tax (VAT)

The CIES excludes amounts relating to VAT and VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income within the CIES. The net amount due to or from HMRC in respect of VAT is included as a creditor or debtor on the Balance Sheet.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on demand. The council defines cash equivalents as highly liquid investments which are no longer than three months and represent the investment of cash surpluses lent to cover cash shortages. They are readily convertible to known amounts of cash with insignificant risk of change in value. In terms of cash flow and treasury management, the council collectively manages its bank accounts under one umbrella, therefore the net cash position is shown either as cash, as part of cash and cash equivalents or bank overdraft on the Balance Sheet.

Within the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management strategy. The council uses the indirect method to present its revenue activities cash flows, whereby the net surplus or deficit on the provision of services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees. They are recognised as an expense for services in the financial year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by the employees but not taken before the year end which employees can carry forward in the next financial year, being the year in which the employee takes the benefit. The accrual is charged to services within the CIES but then reversed out through the MiRS to the accumulated absences account so that holiday entitlements are charged to revenue in the year in which the leave absence occurs.

Termination Benefits

When the council is demonstrably committed to the termination of the employment of an employee or making an offer to encourage voluntary redundancy, the costs of termination benefits are charged on an accruals basis to the respective service within the CIES. This is at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund/HRA balance to be charged with the amount payable by the council to the pension fund or pensioner in the financial year, not the amount calculated according to the relevant accounting standards. In the MiRS, transfers are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Pension schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the council. However, arrangements for the Teachers' and NHS pension schemes mean that liabilities for these benefits cannot ordinarily be identified specifically for the council and are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits is recognised on the balance sheet. Within the CIES the relevant services are charged respectively with the employer's contributions payable to Teachers' Pension and NHS Pensions in the financial year. The council does not recognise any liability for future payment of benefits on its balance sheet; it recognises a creditor on the balance sheet for deductions made in March which are not paid over to the scheme until the new financial year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the pension scheme attributable to the council are included on the balance sheet on an actuarial basis. The basis of calculation is the projected unit method (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 earnings for current employees). Liabilities are discounted to their present value, using a discount rate (determined in reference to market yields at the balance sheet date of high-quality bonds). The assets of the pension scheme attributable to the council are included on the balance sheet at their fair value and are quoted securities (current bid price), unquoted securities (professional estimate), unitised securities (current bid price) and property (market value). The change in the net pension liability of the council is analysed into:

- **Service cost** comprising **current service cost** (the increase in liabilities as a result of years of service earned in the current financial year). This cost is allocated within the CIES to the services for which the employees worked and **past service cost** (the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier financial years). This cost is debited to non-distributed costs within the CIES.
- **Net interest on the net defined benefit liability** (i.e. net interest expense for the council) (the change during the financial year in the net defined benefit liability that arises from the passage of time calculated by multiplying the net defined benefit liability by the discount rate both as determined at the start of the financial year taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit

payments). This is charged to financing and investment income and expenditure within the CIES.

- **Re-measurements** comprising **the return on plan assets** (excluding amounts included in net interest on the net defined benefit liability). These are charged to other comprehensive income and expenditure within the CIES and to the pensions reserve. **Actuarial gains and losses** (changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions). These are charged to other comprehensive income and expenditure within the CIES and to the pensions reserve. **Contributions paid to the pension scheme** (cash paid as employer's contributions to the scheme in settlement of liabilities). These are charged to the General Fund and HRA.

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

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

Provisions

Provisions are made where an event has taken place whereby the council has a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential to settle the obligation, and a reliable estimate can be made of the amount of the obligation. For example, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service within the CIES in the year that the council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the year end. Where it becomes less than probable that a transfer of economic benefits will now be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service within the CIES.

Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover general contingencies and cash flow management. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service within the CIES. The reserve is then transferred back to the General Fund/HRA balance in the MiRS so that there is no net charge against council tax for the expenditure. The category of unusable reserves includes those reserves which are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the council; these reserves are covered in the relevant accounting policies and explained in the relevant notes. The council carries out at least an annual review of the reserves to ensure they are still required and are set at the appropriate level.

Contingent Liabilities and Contingent Assets

Contingent Liabilities

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

Contingent Assets

The council recognises a contingent asset when an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the council's control. Contingent assets are not recognised on the balance sheet but are disclosed as a note to the financial statements.

Overheads and Support Services

The costs of central and departmental overheads (i.e. management and administration costs) and support services are charged to those services that benefit from the supply or service in accordance with the council's arrangements for accountability and financial performance. Where the cost of support services is included within a service segment as part of management reporting arrangements, they are not permitted to be apportioned across service segments within the CIES.

Property, Plant and Equipment (PPE)

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

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense to the relevant service within the CIES as it is incurred. The council has a de minimis level of £50,000 for land and buildings and vehicles, plant, and equipment. Items of expenditure below this de minimis level are charged to the relevant service within the CIES in the year they are incurred. In certain cases, the council capitalises particular items of expenditure that is below its de minimis level (e.g. expenditure funded by grant where the conditions state that the grant should only be applied to capital items of expenditure). The council has no de minimis level for enhancement expenditure and therefore all enhancement expenditure is capitalised.

Measurement

PPE assets are initially measured at cost comprising purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the council, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The council does not capitalise borrowing costs incurred whilst assets are under construction. The costs of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). Assets are then carried on the balance sheet using the following measurement bases:

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

Assets included on the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the end of the financial year, but as a minimum every five years. Where, following revaluation of an individual land and / or building asset, the value drops below the de-minimis level, the de-minimis value of the asset is revalued downwards to nil. Increases in valuation are matched by credits to the revaluation reserve to recognise unrealised gains, unless the increase is reversing a previous revaluation decrease or impairment loss charged to services within the CIES in respect of the asset in which case the revaluation increase may be credited to the CIES.

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

Revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the Capital AA. The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, being the date of its formal implementation. Gains arising before that date have been consolidated into the CAA.

Impairment

At the end of each financial year, assets are assessed as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount is estimated, and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. The council recognises impairment on assets carried at a revalued amount and historical cost. Where impairment losses are identified, where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains) and where there is no balance for the asset in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service within the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service within the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. Impairment losses and reversals are not permitted by statute to have an impact on the General Fund/HRA balances therefore they are reversed out of the General Fund balance in the MiRS and posted to the Capital Adjustment Account.

Depreciation

Depreciation is applied to all PPE assets, except for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction). The depreciation charge is based on the depreciable amount allocated over the useful life of the asset, using a straight-line allocation method, and is charged to the relevant services within the CIES.

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

HRA depreciation is a proper charge to the HRA however the impact on balances is mirrored by an equal increase in the Major Repairs Reserve (effectively a transfer from revenue to capital). The council does not charge depreciation in the year of acquisition but does charge a full year's depreciation in the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset on the balance sheet (whether PPE or assets held for sale) is written off to other operating income and expenditure within the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line within the CIES also as part of the gain or loss on disposal (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 £20,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The receipts are required to be credited to the capital receipts reserve and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are credited to the CIES and subsequently transferred to the capital receipts reserve from the General Fund/HRA balance in the MiRS. Amounts received for a disposal below £20,000 are credited to the CIES. The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund/HRA balance in the MiRS.

Asset Componentisation

The council only considers assets for componentisation in the financial year the assets are valued and / or in the year following capital investment being incurred on the asset. As the council does not depreciate assets in the year of acquisition, capital additions are not considered for componentisation until the following financial year. The componentisation of the council's housing stock is considered separately on an annual basis.

Componentisation is only applied to building elements of assets categorised as PPE and that are subject to depreciation. Vehicles, plant and equipment assets are not componentised as they do not have separately identifiable components of significant value or a significant difference in asset life. Community assets are unlikely to be componentised as they are held at either cost or nil value. Assets under construction are not considered for componentisation until they become operational. The council does not currently consider infrastructure assets for componentisation.

In respect of components, the carrying amount of a replaced part of the asset is derecognised, with the carrying amount of the new component being recognised subject to the recognition principles being met. Where it is not practicable to determine the carrying amount of the replaced part, the council uses the cost of the new part as an indication of what the cost of the replaced part was at the time it was acquired or constructed (adjusted for depreciation and impairment, if required). Where an item of PPE asset has a major component, whose cost is significant in relation to the total cost of the item, the component is depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, the council groups these parts in determining the depreciation charge.

Heritage Assets

The majority of the council's heritage assets are reported on the balance sheet at current insurance valuations. These insurance valuations are updated on an annual basis. Acquisitions are recognised at cost. As heritage assets are deemed to have indeterminable lives and high residual value, the council does not charge depreciation for these assets. Revaluations, disposals, and impairments are accounted for in accordance with the respective policies for PPE. The council has a de minimis level of £20,000 for heritage assets. Items of expenditure below this de minimis level are charged to the relevant service within the CIES in the financial year it is incurred.

Interests in Companies and Other Entities

An assessment of the council's interest in companies and other entities has been carried out during the year in accordance with the Code to determine the group relationships that exist. Group accounts are required where the council has interest in subsidiaries, associates and/or joint ventures, subject to consideration of materiality. The council has no material interest in companies and other entries which require it to prepare group accounting alongside its own financial statements.

Leases and Lease Type Arrangements

The council as lessee

The council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

The Code expands the scope of IFRS 16 *Leases* to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as Right-of-Use (ROU) assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods more than one year but may have extension options.

The council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the council's incremental borrowing rate.

The ROU asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The ROU asset is subsequently measured using the fair value model. The council considers the dismantling to be a reasonable proxy except for assets held under non-commercial leases. For these leases, the asset is carried at a revalued amount.

The ROU asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured using amortised cost principles (i.e. increased by interest on the lease liability and reduced by lease payments made).

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- the council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the CIES.

Low value and short lease exemption

As permitted by the Code, the council excludes leases:

- for low-value items that cost less than £20,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the council is reasonably certain to exercise and any termination options that the council is reasonably certain not to exercise).

Lease expenditure

Expenditure in the CIES includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges 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 MiRS.

The council as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property or item of plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

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

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

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund/HRA balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund/HRA balance to the capital receipts reserve in the MiRS. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund/HRA balance to the deferred capital receipts reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund/HRA balance.

Operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. As lessor, the assets are accounted for in accordance with the council's PPE policy. Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Rental income from operating leases is recognised over the lease term and is credited to the other operating income and expenditure line in the CIES. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Private Finance Initiative (PFI)

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

Recognition

The PPE asset and related liability are recognised at the same time being the point that it is probable that future economic or service benefits associated with the asset will flow to the council and at the point that the cost of the asset can be measured reliably. This is when the asset is made available for use unless the council bears an element of the construction risk. Where this is the case, the council recognises an asset under construction prior to the asset being made available for use where it is probable that the expected future benefits attributable to the asset will flow to the council. Separate assets are recognised in respect of land and buildings where appropriate. PPE assets in relation to PFI arrangements recognised on the balance sheet are accounted for using the policies applied generally to other PPE owned by the council.

Measurement

For assets owned by the council prior to the PFI contract and then transferred to the operator as part of the contract, the asset is recognised at the fair value at the time the asset was transferred. For assets acquired or constructed by the operator under the contract, the asset is recognised at the cost of purchase or construction. This value is also used as the basis for calculating the liability for amounts due to the operator to pay for the assets. Where a PFI arrangement can be separated into a service element and a construction element, the service element is expensed as incurred and the construction element is accounted for as if it were a finance lease and allocated into an element relating to the repayment of the liability and an interest element in accordance with the arrangements for a finance lease. The interest element is charged as incurred to financing and investment income and expenditure within the CIES, with the balance of the payment used to reduce the outstanding liability on the balance sheet. After initial recognition, the asset is measured following the council's principles for assets acquired under a finance lease. The liability is measured in a similar manner to the liability resulting from a finance lease. The liability is reported as a financial liability but is measured under the *leases* accounting policy.

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

- **the service charge element** – the fair value of the services received during the financial year – charged to the relevant service within the CIES.
- **repayment of the liability** – applied to write down the Balance Sheet liability to the PFI operator.
- **interest element** – an interest charge (using the interest rate implicit in the contract) on the outstanding Balance Sheet liability, charged to financing and investment income within the

CIES. Where it is not possible to determine the rate implicit in the contract, the council uses its cost of capital rate (including inflation).

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

Prepayments/Capital Contributions/Income Received

Where PFI contracts are structured to require payments to be made (either as part of a unitary payment or as a lump sum contribution) before the related asset is recognised as an asset on the Balance Sheet, these payments are recognised as prepayments. The prepayments are applied to reduce the outstanding liability. Any prepayments and contributions are taken into account when estimating the fair value of the asset and liability and the separation of payments into the liability, interest and service charge elements. The council recognises any income received as a result of a revenue sharing clause with a PFI arrangement as it is earned. The council also recognises any income due from the operator under a PFI arrangement as it is earned over the life of the agreement.

Investment Property

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

Investment property is measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment property is measured at the highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to financing and investment income and expenditure within the CIES. The same treatment is applied to gains and losses on disposal.

General Fund revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £20,000) the Capital Receipts Reserve. The council considers investment property for componentisation purposes under the componentisation policy for PPE. Rentals received in relation to investment properties are credited to financing and investment income and expenditure within the CIES.

Intangible Assets

Expenditure on intangible assets is capitalised when it is probable that the expected future economic benefits or service potential attributable to the asset will flow to and from the intangible asset to the council. Intangible assets are measured initially at cost. Expenditure incurred on an intangible asset after it has been recognised is charged to services within the CIES as it is incurred. Where the council acquires (either in full or in part) an intangible asset by the way of a government grant, both the asset and the grant or contribution are recognised initially at fair value. As there is no active market for the council’s intangible assets, they are carried at amortised cost.

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

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

Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure (e.g. grants and expenditure on property not owned by the council) incurred by the council to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset; this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund/HRA balance and impact on council tax. Such expenditure is charged to the relevant service within the CIES. The council accounts for this statutory provision that allows capital resources to meet the expenditure by debiting the Capital Adjustment Account and crediting the General Fund/HRA balance with the transfer being reported in the MiRS.

Financial Assets and Liabilities - Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges for interest payable are charged to financing and investment income and expenditure within the CIES and are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument; for most cases this means that the amount presented on the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the loan agreement in the financial year. The council derecognises a financial liability when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, or expires).

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

Where premiums and discounts have been charged or debited to the CIES, regulations allow the impact on the General Fund/HRA balance to be spread over future years. The council has a policy of spreading the gain and loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The difference between amounts charged to the CIES and the net charge required against the General Fund/HRA balance is managed by a transfer to or from the financial instruments adjustment account with the adjustment reported in the MiRS.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at amortised cost, Fair Value through Profit or Loss (FVPL) and Fair Value through Other Comprehensive Income (FVOCI). The council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where loans are made at less than market rates (soft loans), a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the balance sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MiRS. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques - instruments with quoted market prices, the market price and other instruments with fixed and determinable payments and discounted cash flow analysis. The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

For pooled investment funds (i.e. money market fund, collective investment scheme as defined in section 235 (1) of the Financial Services and Markets Act 2000, investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961 (local authority schemes)) regulations allow a statutory override (for a period of five years from 1 April 2018). Any unrealised gains or losses can be transferred via the MiRS to a Pooled Investment Funds Adjustment Account in the balance sheet. Any gains and losses that arise on de-recognition of the asset are debited or credited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Losses (ECL)

The council recognises expected credit losses (impairments) on financial assets held at amortised cost or FVOCI either on a 12 month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses. The expected credit loss model applies to financial assets measured at amortised cost and FVOCI, trade receivables, lease debtors, third party loans and financial guarantees.

A simplified approach is applied to trade receivables and lease debtors whereby consideration of changes in credit risk since initial recognition are not required and losses are automatically recognised on a lifetime basis. A collective assessment is made for groups of instruments where reasonable and supportable information is not available for individual instruments without undue cost or effort. The aim will be to approximate the result of recognising lifetime expected credit losses if significant increases in credit risk since recognition had been measurable for the individual instruments. Loans are grouped into three types for assessing loss allowances:

- **Group 1** – loans made to individual organisations. Loss allowances for these loans can be assessed on an individual basis.
- **Group 2** – loans supported by government funding. As the loan repayments are recycled and the contract allows for a level of default then no additional impairment loss is required.
- **Group 3** - car loans to employees. Loss allowances are based on a collective assessment.

Impairment losses are debited to the Financing and Investment Income and Expenditure line in the CIES. For assets carried at amortised cost, the credit entry is made against the carrying amount in the balance sheet. For assets carried at FVOCI, the credit entry is recognised in Other Comprehensive Income against the Financial Instruments Revaluation Reserve. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. Impairment losses are not applicable to FVPL assets as the future contractual cash flows are of lesser significance and instead current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value, including those relating to credit risk, impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services as they arise. Impairment losses on loans supporting capital purposes, lease debtors and share capital are not a proper charge to the General Fund balance and any gains or losses can be reversed out through the MiRS to the Capital Adjustment Account.

Debt Repayment/Redemption

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

For debt where the government provides revenue support, the council sets aside a sum of 2% of the notional debt relating to capital investment but excluding capital investment on the HRA housing stock because there is no housing subsidy payable on these repayments. For debt where no government support is received, the council sets aside a sum equivalent to repaying debt over the life of the asset in equal annual instalments.

For finance leases and on balance sheet PFI contracts, the MRP requirement is regarded as met by a charge equal to the element of the lease payment or unitary charge that is applied to write down the balance sheet liability in the financial year. In addition, the council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefits that may accrue to the council.

Events after the Reporting Period

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

- **adjusting events** - those events that provide evidence of conditions that existed at the end of the financial year. In this instance, the financial statements are adjusted to reflect such events.
- **non adjusting events** - those events that are indicative of conditions that arose after the year end. In this instance, the financial statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Joint Operations

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

Glossary of Terms

Accounting Estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

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

The **Accruals basis** is the recognition of items as assets, liabilities, income, and expenses when they satisfy the definitions and recognition criteria. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the year in which those effects are experienced and not necessarily in the period in which any cash is received or paid.

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

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

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

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 or impairment or uncollectability.

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

The **Asset Ceiling (Pensions)** is the present value of any economic benefit available to the Employer in the form of refunds from the plan or reduced future employer contributions to the plan.

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

Audit of financial statements is an examination by an independent expert of the council's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Available for sale financial asset is a non-derivative financial asset that is not classified as loans and receivables, held to maturity investments, or held for trading.

Available for Sale Financial Instruments Reserve records the unrealised revaluation gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments.

Balance sheet shows the value of the assets and liabilities recognised by the council at the Balance Sheet date.

Benefits Payable during Employment covers short term employee benefits, such as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees and benefits earned by current employees but not expected to be settled wholly before 12 months after the year end in which the employees render the related service, such as long service leave and long term disability benefits.

Budget expresses the council's service delivery plans and capital investment programmes in monetary terms.

The **Capital Adjustment Account (CAA)** absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions.

The **Capital Financing Requirement** is the capital investment funded from borrowing which has yet to be repaid.

The **Capital Grants Unapplied Account (reserve)** holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The reserve also holds grants and contributions received towards capital projects for which there are no conditions for repayment attached where expenditure has yet to be incurred.

Capital Investment is expenditure on the acquisition of an asset that will be used to provide services beyond the financial year or expenditure which adds to and not merely maintains the value of an existing non-current asset.

The **Capital Investment Programme** is a financial summary of the capital projects that the council intends to carry out over a specified period of time.

A **Capital Receipt** is the proceeds from the sale of an asset.

The **Capital Receipts Reserve** holds the proceeds from the disposal of non-current assets, which are restricted by statute from being used other than to fund new capital investment or to be set aside to finance historical capital investment.

Capital Reserves represent resources earmarked to fund capital schemes as part of the council's capital investment strategy.

The **Carbon Reduction Commitment (CRC) Energy Efficiency Scheme** obligates the council to purchase and surrender CRC allowances in relation to carbon dioxide emissions.

The **Carrying Amount** is the amount at which an asset is recognised on the Balance Sheet after deducting any accumulated depreciation (or accumulated amortisation) and accumulated impairment losses.

Cash comprises cash in hand and demand deposits.

Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows are the inflows and outflows of cash and cash equivalents.

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the council during the financial year.

The **Collection Fund** is a separate fund recording the expenditure and income relating to council tax and non-domestic rates.

The **Collection Fund Adjustment Account** is used specifically to manage the accounting processes for council tax and non-domestic rates.

The **Commencement of the Lease Term** is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income, or expenses resulting from the lease).

Community Assets are assets that the council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.

The **Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

The **cost model** is the cost of an asset less any accumulated depreciation or any accumulated impairment.

A **Contingent Asset** is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the council.

A **Contingent Liability** is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the council, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Cost is the amount of cash or cash equivalents paid, or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

Council Tax is the main source of local taxation to local authorities and is levied on households within its area by the billing authority.

Costs to Sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Creditors are financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

A **Current Asset** is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading, or the council expects to realise the asset within 12 months after the reporting date.

A **Current Liability** is an amount which will become payable or could be called in within the next financial year; examples are creditors and bank overdraft.

Current Replacement Cost is the cost the council would incur to acquire the asset on the reporting date.

Current Service Cost (Pensions) is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Current Value is the amount that reflects the economic environment prevailing for the service or function the asset is supporting.

Curtailment (Pensions) occurs when the council significantly reduces the number of employees covered by the plan.

Customer and Client Receipts include rental income and income from fees and charges.

Debtors are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

The **Deferred Capital Receipts Reserve** holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

A **Deferred Liability** is a sum of money that is either not payable until some point after the next financial year or is paid off over a number of years.

The **Deficit (Pensions)** is the present value of the defined benefit obligation less the fair value of scheme assets.

A **Defined Benefit Scheme** is a pension scheme where the benefits to employees are based on their salaries, and where employers' contributions have to be adjusted to match estimates of future liabilities.

A **Defined Contribution Scheme** is a post-employment benefit scheme where the employer's liability is restricted to the amount that they contribute.

Depreciated Replacement Cost (DRC) is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation is a method of allocating the cost of a tangible asset over its useful life.

The **Discount Rate (Pensions)** is the rate used to discount post-employment benefit obligations and is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

Dismantling / removal / restoration costs are an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The **Effective Interest Rate** is the rate that exactly discounts estimated future cash payments or receipts over the life of the instrument to the amount at which it was originally recognised.

Employee Benefits are all forms of consideration given by the council in exchange for service rendered by employees or for the termination of employment.

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

Estimation Techniques are the methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the financial statements are authorised for issue.

Exceptional Items are material items which derive from events or transactions that fall within the ordinary activities of the council, and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the financial statements.

Existing Use Value is the estimated amount for which an asset or liability should exchange, on the valuation date, between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Existing Use Value – Social Housing (EUV-SH) is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an 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 reletting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to relet them, rather than with vacant possession and any subsequent sale would be subject to all of the above assumptions.

Exit Packages are departure costs paid to former employees who negotiate a package as part of their terms of leaving the council.

The **Expenditure and Funding Analysis** shows how the available funding (i.e. government grants, rents, council tax and non-domestic rates) has been used in providing services in comparison with those resources consumed or in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the service directorates.

Expenses are decreases in economic benefits or service potential during the year in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves.

Experience Adjustments (Pensions) are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participates at the measurement date.

Fees, Charges and Other Service Income includes customer and client receipts including, for example rents and other fees and charges and grants received from non-government bodies and other contributions received by the council.

Fee Expense (Financial Instruments) represents the cost of managing the council's debt and investment portfolios, including internal costs and external brokerage.

Fee Income (Financial Instruments) represents the contribution received from external bodies in respect of the management of that bodies' cash portfolio.

A **Finance Lease** is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

A **Financial Asset** is any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A **Financial Liability** is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

A **Financial Instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity and includes trade payables and other payables, borrowings, bank deposits, trade receivables, loans receivable, other receivables and advances and investments.

The **Financial Instruments Adjustment Account** provides a specific accounting mechanism to reconcile the different rates at which gains and losses are recognised under proper accounting practices for borrowing and investments and are required by statute to be met from the General Fund balance.

Financing Activities are activities that result in changes in the size and composition of the principal received from or repaid to external providers of finance.

The **General Fund** is the statutory fund into which all the receipts of the council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise.

The **General Fund Balance** summarises the resources that the council is statutorily empowered to spend on its General Fund services or on capital investment (or the deficit of resources that the council is required to recover) at the year end.

Going Concern defines that the functions of the council will continue in operational existence for the foreseeable future.

Government Grants are grants made by the Government towards either revenue expenditure or capital investment to support the cost of the provision of the council's services.

Grants and Contributions are assistance in the form of transfers of resources to the council in return for past or future compliance with certain conditions relating to the operation of activities.

A **Heritage Asset** is a tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

Historical Cost is the carrying amount of an asset at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later and adjusted for subsequent depreciation or impairment (if applicable).

The **Housing Revenue Account (HRA)** reflects the statutory obligation of the council to maintain a revenue account for council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future financial years.

An **Impairment Loss** is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The **Implicit interest rate** is the rate of interest that causes the present value of (a) the lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor.

The **Inception of the Lease** is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Income is the gross inflow of economic benefits or service potential during the year when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves.

The **Incremental Borrowing Rate** is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of- use asset in a similar economic environment. This will be the PWLB annuity certainty rate for the period equal to the outstanding lease term at transition

Initial direct costs are incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained

An **Intangible Asset** is an identifiable non-monetary asset without physical substance (e.g. computer software).

The **Interest Cost (Pensions)** is the expected increase in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Interest Income (Pensions) is a component of the return on plan assets and is determined by multiplying the fair value of the plan assets by the discount rate.

International Accounting Standards (IAS) for the preparation and presentation of financial statements.

International Financial Reporting Standards (IFRS) advise the accounting treatment and disclosure requirements of transactions so that the council's accounts present fairly the financial position of the council.

Inventories are assets in the form of materials or supplies to be consumed in the production process to be consumed or distributed in the rendering of services, held for sale or distribution in the ordinary course of operations and/or in the process of production for sale or distribution.

Investing activities are activities relating to the acquisition and disposal of non-current assets and other investments not included in cash equivalents.

Investment Property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of operations.

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 time period.

The **Lease Term** is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payments, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

A **Liability** is a present obligation of the council arising from past events, the settlement of which is expected to result in an outflow from the council of resources embodying economic benefits or service potential.

Lifecycle Payments are the element of the unitary charge which reflects expenditure incurred by the PFI provider in the financial year to enhance, renew and maintain PFI assets.

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the entity intends to sell immediately or in the near term (held for trading); or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration (available for sale).

Long Term Borrowing is loans raised to finance capital investment which have to be repaid over a period in excess of 12 months from the year end.

The **Major Repairs Reserve** holds an element of the capital resources required to be used on HRA assets or for capital financing purposes.

Materiality - omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP) is the minimum amount which must be charged each year in order to provide for the repayment of loans and other amounts borrowed by the council.

The **Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the council, analysed into usable reserves and other reserves.

The **Net Defined Benefit Liability (Pensions)** is the deficit, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The **Net Interest on the Net Defined Benefit Liability (Pensions)** is the change during the period in the net defined benefit liability that arises from the passage of time.

The **Net Realisable Value** is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

A **Non-Current Asset** is an asset that does not meet the definition of a current asset and has a long-term benefit to the council.

Non-Domestic Rates (NDR) is a scheme for collecting contributions from businesses towards the cost of local government services.

Non-Ring-Fenced Government Grants are revenue grants distributed by central government that do not relate to the performance of a specific service.

An **Operating Lease** is a type of lease (e.g. computer equipment, office equipment, furniture) where the balance of risks and rewards of holding the asset remains with the lessor.

Operating Activities are the activities of the council that are not investing or financing activities.

Other Comprehensive Income and Expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the surplus or deficit on the provision of services as required or permitted by the Code. Examples include changes in revaluation surplus; actuarial gains and losses on defined benefit schemes; and gains and losses on remeasuring available for sale financial assets.

Other Service Expenses include premises expenses including all running costs, expenditure on goods, services and contractors directly related to property and land, transport expenses including all costs connected with the provision, hire or use of transport for employees and clients, supplies and services covering all direct supplies and services expenditure incurred, third party payments including, for example, payments to third party providers of local authority services (e.g. payments to government departments, voluntary associations, private contractors and other agencies), transfer payments including, for example, education awards paid to school pupils and students in further education, housing benefits and capital financing costs including costs of unsupported borrowing.

Owner Occupied Property is property held (by the owner or by the lessee under a finance lease) for use in the delivery of services or production of goods or for administrative purposes.

The **Past Service Cost (Pensions)** is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction of, or withdrawal of, or changes to, a defined benefit scheme) or a curtailment (a significant reduction by the council in the number of employees covered by a scheme).

The **Pension Reserve** is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net charge in the council's recognised liability under IAS 19 "Employee Benefits", for the same period.

Pooled Budgets are formal arrangements under Section 75 of the National Health Service Act 2006, between local authorities and primary care trusts, to share the costs of various services which overlap in terms of the responsibilities of the various authorities. One council hosts the entire activity for the partnership, and the other parties contribute towards the total costs on an agreed basis.

The **Pooled Investment Funds Adjustment Account** is a mechanism that is required by the capital finance and accounting regulations in England and Wales to hold the fair value movements in those pooled investment funds specified by the regulations. The difference between the amount charged or credited in the year to surplus or deficit on the provision of services in accordance with the Code and the amount charged or credited to the General Fund in accordance with regulations should be debited or credited to the General Fund balance with the double entry going to the pooled investment funds adjustment account such that the General Fund is charged or credited with the amount that accords with the applicable regulations.

Post-Employment Benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Post-Employment Benefit Plans (Schemes) are formal (or informal) arrangements under which the council provides post-employment benefits for one or more employees.

A **Precept** is a levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf, such as the Sussex Police & Crime Commissioner and the East Sussex Fire Authority.

The **Present Value of a Defined Benefit Obligation (Pension)** is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

A **Private Finance Initiative (PFI)** is a long term contractual public private partnership, under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.

Property, Plant and Equipment (PPE) are tangible assets (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.

A **Provision** is a liability of uncertain timing or amount.

The **Public Works Loan Board (PWLB)** is a central government agency which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.

A **Qualified Valuer** is a person conducting the valuations who holds a recognised and relevant professional qualification and having sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

The **Recoverable Amount (in respect of assets)** is the higher of fair value less costs to sell (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.

A **Related Party Transaction** is a transfer of resources or obligations between related parties, regardless of whether a price is charged.

Reserves are the residual interest in the assets of the council after deducting all its liabilities.

The **Residual Value** is the estimated amount that the council would currently obtain from the disposal of an asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The **Revaluation Reserve** contains the unrealised revaluation gains arising from increases in the value of its revalued non-current assets (excluding investment property which is posted to the CAA).

Revenue is the gross inflow of economic benefits or service potential during the year when those inflows result in an increase in the council's net assets.

Revenue Expenditure is the day to day running costs relating to the financial year irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

Revenue Expenditure Funded from Capital under Statute is revenue expenditure incurred that may be funded from capital resources under statutory provisions but does not result in the creation of non-current assets.

The **Return on Scheme Assets (Pensions)** is dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets less any costs of managing plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

Ring Fenced Government Grants are revenue grants distributed by central government that relate to a specific service.

A **Scheme Amendment (Pensions)** occurs when the council introduces or withdraws a defined benefit scheme or changes the benefits payable under an existing defined benefit scheme.

Scheme Assets (Pensions) comprise assets held by a long-term employee benefit scheme.

Scheme Liabilities (Pensions) comprise liabilities in relation to a long-term employee benefit scheme.

Settlements (Pensions) is a transaction that eliminates all further legal or constructive obligations for part, or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short Term Borrowing is a sum of money borrowed for a period of less than one year.

Short Term Paid Absences are periods during which an employee does not provide services to the council, but benefits continue to be paid.

Short Term Employee Benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the year end in which the employees render the related service.

Surplus Assets are those assets that are surplus to service needs but do not meet the definition of either an investment property or assets held for sale.

The **Surplus / Deficit on the Provision of Services** is the total of income less expenses, excluding the components of other comprehensive income and expenditure.

A **Tangible Asset** is an asset that has a physical form.

Termination Benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the council's decision to terminate an employee's employment before the normal retirement date, or the council's decision to accept an offer of benefits in exchange for the termination of employment.

The **Third Sector** includes a range of organisations e.g. voluntary and community organisations.

Total Comprehensive Income and Expenditure comprises all components of surplus or deficit on the provision of services and of other comprehensive income and expenditure.

Trust Funds are funds administered by the council for such purposes as prizes, charities and specific projects.

The **Unitary Charge** is the amount payable to the PFI contractor, by the council, for the provision of works and services as defined in each PFI contract.

Unsupported Borrowing is borrowing for which no financial support is provided by central government.

Unusable Reserves are those reserves that the council is not able to use to provide services and includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the MiRS as adjustments between accounting basis and funding basis under regulations.

Usable Reserves are those reserves that can be used to provide services and / or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Useful life is the period which a non-current asset is expected to be available for use by the council.

Value Added Tax (VAT) is an indirect tax levied on most business transactions and on many goods and some services.

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

To follow

Printed and published by
Brighton & Hove City Council

A copy of this document can be found on the council's website: www.brighton-hove.gov.uk/accounts

Brighton & Hove City Council

Audit, Standards and General Purposes Committee | **Agenda Item 38**

Subject:	**Internal Audit and Counter Fraud Quarter 2 Progress Report 2025/26**
Date of meeting:	**25th November 2025**
Report of:	**Interim Director of Finance and Property (S151)**
Contact Officer:	**Carolyn Sheehan (Audit Manager)** **Tel: 07795 335692** **Email: carolyn.sheehan@brighton-hove.gov.uk** **Russell Banks (Chief Internal Auditor)** **Tel: 07824 362739** **Email: russell.banks@eastsussex.gov.uk**
Ward(s) affected:	**All**

For general release

1. Purpose of the report and policy context

1.1 This report provides Members with an update on all internal audit and counter fraud activity completed during quarter 2 (2025/26), including a summary of all key audit findings. The report also includes an update on the performance of the Internal Audit Service during the period.

2. Recommendations

2.1 That the Committee note the report and consider the findings from Internal Audit activities in accordance with the Committee's terms of reference.

3. Context and background information

3.1 The current annual plan for internal audit is included within the Internal Audit Strategy and Annual Plan 2025/26 Report which was approved by the Audit, Standards and General Purposes Committee on 22nd April 2025.

4. Analysis and consideration of alternative options

4.1 Full details of both the internal audit and counter fraud work delivered during quarter 2 are detailed in Appendix 1, together with our progress against our performance targets.

4.2 During quarter 2 there were three reports issued with an opinion of Partial Assurance, as follows:

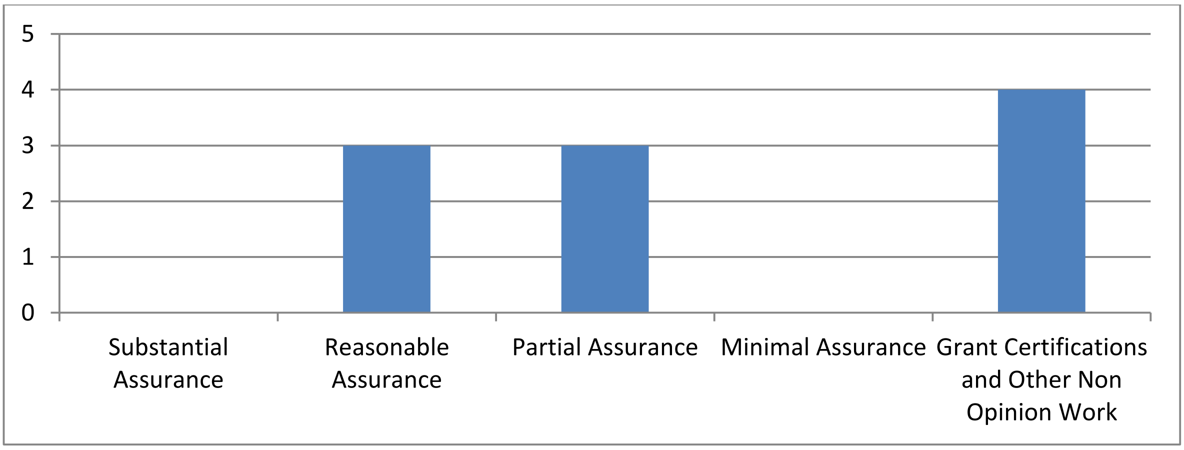
- Accounts Receivable
- Off Payroll Payments (IR35) follow up

- Elm Grove Primary School

4.3 A follow-up review will be completed for all partial assurance reports to assess progress in implementing agreed actions. This report contains two audits where a partial assurance opinion has been repeated from the previous review and insufficient progress has been made on previously agreed actions.

4.4 Following on from the 2024/25 annual audit opinion of Partial Assurance, we continue to take the opportunity to discuss current and emerging audit opinions with senior management, who have clearly recognised the importance of strengthening the control environment and are committed to taking necessary action to address the issues arising. We will continue to work closely with management to help support the necessary improvement.

4.5 The audit opinions finalised in quarter 2 are summarised in the chart below, with three reasonable assurance and three partial assurance reports. In addition, there was one non-opinion report and three grant certifications, which have been included under the category “Grant Certifications and Non-Opinion work.”



4.6 Section 5 of the attached report, Appendix 1, shows the performance of the service in quarter 2. Delivery of the audit plan is showing as amber with 44.8% of the audit plan delivered against a target of 45% and 43.3% of the planned audit days used against a target of 45%. Although the figures are close to the target, the service is carrying some vacancies and has staff on maternity leave that has impacted performance against this target.

5. Community engagement and consultation

5.1 The quarterly progress report has been informed by internal audit and counter fraud work completed during the quarter which has included extensive engagement with officers.

6. Financial implications

6.1.1 It is expected that the Internal Audit Annual Plan 2025/26 will be delivered within existing budgetary resources. Progress against the plan and action taken in line with actions support the robustness and resilience of the Council's practices and procedures in support of the Council's overall financial position.

Name of finance officer consulted: John Hooton Date consulted 06/11/25:

7. Legal implications

7.1 The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account Global Internal Audit Standards. Reviewing the work planned and completed by the Council's internal audit function is a key part of the Audit, Standards and General Purposes Committee's delegated functions.

Name of lawyer consulted: Victoria Simpson Date consulted 4/11/2025

8. Risk implications

8.1 The Council's Internal Audit Strategy and Plan is based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. Issues arising from individual audit reports, summarised in quarterly progress reports to this Committee, have been presented to management and action plans have been formally agreed to mitigate risks. It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved

9. Equalities implications

9.1 There are no direct equalities implications.

10. Sustainability implications

10.1 There are no sustainability implications.

11. Other Implications

11.1 There are no other implications.

12. Conclusion

12.1 The Committee is asked to note the report.

Supporting Documentation

Appendices

Internal Audit and Counter Fraud Quarter 2 Progress Report 2025-26

APPENDIX 1

Internal Audit and Counter Fraud

Quarter 2 Progress Report 2025/26

CONTENTS

Brighton & Hove City Council

1. Summary of Completed Audits

Home Care Contract Management

1.1 The Council's Adult Social Care (ASC) directorate commissions home care from a range of providers, equating to approximately £19.7m per annum. The Home Care contract was re-tendered with provision commencing July 2023 for a term of five years, with the option to extend by 36 months.

1.2 The Council has organised the city into four distinct geographical areas for home care; East, West, North and Central. Each area has two contracted care providers, a designated 'lead provider' and a 'back-up provider'. In addition to the eight contracts awarded, a Dynamic Procurement System is in place to identify, and call upon, alternative approved care providers to support the delivery of care when necessary.

1.3 The objective of this audit was to provide assurance that contract management controls are in place and are operating as expected to manage key risks and ensure delivery of home care provision to adult social care clients. The scope covered the following:

- Governance arrangements are robust and sufficient, supporting contract performance, the objectives of the contract, and securing value for money within the contract;
- Monitoring and reporting provide sufficient oversight to the Council to identify and ensure that service delivery is being met and securing value for money within the contract;
- The service delivered and paid for is in line with contractual obligations, with the services being charged for matching the service delivered by care providers and at the agreed rate; and,
- Changes are only made through an approved change process for legitimate reasons and are subject to appropriate approval prior to implementation.

1.4 In completing this review, we were able to provide an opinion of **Reasonable Assurance**. We found that contracts between the Council and care providers include clearly defined objectives, expectations and key performance indicators (KPIs). There is evidence of good oversight of care provider performance, with dashboards for lead and back-up providers being used to effectively measure and highlight KPI levels. There was evidence that underperformance is identified quickly and is addressed with providers, with the Council and care providers working collaboratively to create and implement improvement plans. We found that effective communication is in place, which includes regular contact with each provider. The use of care provider forum meetings, hosted by the Council, also provides opportunities to share best practices, raise issues and identify performance pressures across the care sector.

1.5 However, we identified some opportunities to further strengthen the control environment, including to:

- Improve data accuracy through exception reports and spot payment checks and identifying manually overridden data in the Electronic Call Monitoring System by working with providers;
- Review and update Care Settings Emergency Response Plan and the Planned Provider Closure Procedure and develop a contingency plan for system failure and a disaster recovery plan;
- Check that Business Continuity Plans for providers are up to date; and,
- Develop Contract Management Plan's outlining roles responsibilities, communication protocols and escalation paths.

1.6 Actions to address these outstanding areas were agreed with management within a formal management action plan.

Digital Literacy and Skills Training

1.7 The Council is reliant on information technology and data and this has become a key focus to make efficiency savings. As such, it is important that the workforce understands the risks associated with the systems and data they use each day. In this environment, training becomes an integral preventive control to keep systems and data safe.

1.8 The purpose of our audit was to provide assurance that controls are in place to meet the following objectives:

- The Council has a robust definition of what digital literacy and skills are required of officers;
- Training is current, easily accessible, and communicated frequently; and,
- Information Governance/Information Security (IG/IS) training and the IT Security Policy, is supported by governance and practical IT Training linking the two.

1.9 Based on the work undertaken, we were able to provide an opinion of **Reasonable Assurance**. Whilst a formal definition of basic digital skills has not been established by the Council, a robust training offer has been developed by the Digital Skills Team structured around the UK Government's Essential Digital Skills framework, and all officers and line managers are encouraged to understand and promote foundational digital literacy in line with current policy and legislative requirements.

1.10 Whilst the opinion is positive, we do note that at the time of the audit there was no long term strategy beyond November 2025 to sustain and update this training. The team responsible for the Council's digital literacy and skills has been capital funded for several years, and future funding was unclear.

1.11 Management action was agreed to improve monitoring of completion by officers of the digital skills training on offer and also to communicate clearly the links between the training and Council policy.

Fleet Management Follow Up

1.12 The Fleet Service sitting within Environmental Services provides a fleet procurement, maintenance and management service for the whole Council. In 2024/25 the Council's fleet comprised of 468 vehicles, ranging from mopeds, minibuses, tractors, vans and cars. The Council is committed to becoming a carbon neutral city by 2030 and has started introducing electric and hybrid vehicles; of the 468 vehicles in the fleet, 59 were electric cars and vans, and 15 were hybrid cars.

1.13 A review of Fleet Management in September 2024, concluded a Partial Assurance opinion and we agreed with management to undertake a follow-up review as part of our planned work for 2025/26. This sought to assess and provide assurance on the progress made in implementing the agreed actions from the original review.

1.14 We acknowledge that the service has seen significant changes over the last year. We found new management were committed to making improvements to this service, and have clearly demonstrated that progress has been made, however, they have not had sufficient time to review and implement all the agreed actions. Whilst a business case has not yet been completed to determine the most cost effective options for the housing repairs fleet and replacing older vehicles, we saw evidence that the new Head of Fleet Management has started preliminary work on this.

1.15 Although six of the eight actions have not been fully implemented, we were able to provide an opinion of **Reasonable Assurance** as work to address the findings has commenced in most cases; the only high priority action on the original report has been partially implemented and is now rated as low risk.

1.16 Actions to address these outstanding areas were agreed with management within a formal management action plan.

Debtors (Accounts Receivable)

1.17 The Central Collections Team (CCT) is responsible for ensuring that all income identified by services as due to the Council is collected and correctly accounted for. During the 2024/25 financial year, this amounted to processing 51,737 income transactions with a value of £88.8m. Though most of the transactions are within the corporate centre, over half of the income (£45m), is received from Adult Social Care services.

1.18 This audit aimed to provide assurance over the key controls operating within the Debtors (Accounts Receivable) key financial system. The review followed on from the previous audit in July 2024 that concluded partial assurance and a non-opinion report that focused on debt management within Adult Social Care.

1.19 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- All income generating activities are identified and accurately raised to customers;
- A customer account maintenance process is in place and operating effectively;
- Amendments to invoices are correct and authorised;
- Collection and debt recovery is managed efficiently and effectively, and resources are focused on areas of priority debt;
- Write offs are processed accurately and correctly authorised;
- Payments are received and recorded against the correct debtor account in a timely manner; and,
- Reconciliations between the Accounts Receivable system and the General Ledger are undertaken on a regular basis.

1.20 We were only able to provide an opinion of **Partial Assurance** over the controls operating within the area under review. Whilst the position has improved since the previous audit, particularly around simplifying and automating recovery processes, some key findings have been repeated from previous years.

1.21 Corporate debt stood at £4.5m for this audit period, while Adult Social Care debt rose from £15.5m in 2023/24 to £21.2m in 2024/25 and requires a strategic review. Whilst we acknowledge that a large payment would significantly change the debt position (both corporately and for Adult Social Care debt) the rising level of Adult Social Care debt has been repeated in previous audit work. In addition, agreed actions to strengthen the control environment have not yet been implemented, including the use of an external agency specialising in debt resolution with vulnerable adult clients.

1.22 Whilst we note that CCT focus on, and prioritise, larger debt, improvement is needed to ensure debt of under £10k is proactively reviewed on a regular basis.

1.23 Actions have been agreed with management to address the identified risks identified during the review, as follows:

- Improved monitoring and review of overdue debt;
- Develop a dedicated Adult Social Care Payment Support and Debt Recovery Policy that aligns with Corporate Debt Policy and Guidelines and relevant legislation;
- Develop a protocol between Adult Social Care and Legal Services clearly defining roles and responsibilities;
- Ensure that proof of debt is provided with invoice requests, to reduce errors and improve information provided to support any legal action;
- Ensure there is compliance with segregation of duties and approval processes to reduce errors and irregularities;
- Ensure supporting evidence is provided for credit notes and refunds;
- Ensure write offs of debts in dispute are appropriately approved and recorded;
- Regular review of periodic invoices;
- Increase use of direct debits to recover debt;
- Improve data accuracy; and,
- Review key performance indicator reporting for accuracy of debt collection data.

1.24 As this is the second time this key financial system has resulted in a partial assurance opinion, this audit will be repeated in 2026/27 and will include assessing whether actions agreed with management have been implemented and are working effectively.

Off Payroll Payments (IR35) Follow Up

1.25 Agency workers and consultants are often used as a flexible resourcing option. Used well, consultants and consultancy services can be an important source of specialist skills and capabilities for teams that need to transform how they do business and provide resources for defined periods of time. When resources are engaged in this way there is a requirement from HMRC to assess individuals to see if they should be paid through payroll, with tax deducted at source, or whether they can be paid as a supplier, via an invoice.

1.26 Where such assessments are not be completed or are determined incorrectly, this can lead to risk of penalties and collection of unpaid tax from HMRC.

1.27 A review of Off Payroll Payments in July 2024, concluded a Partial Assurance opinion and we agreed with management to undertake a follow-up review as part of our planned work for 2025/26. This sought to assess and provide assurance on the progress made in implementing the agreed actions from the original review.

1.28 Unfortunately, we have again only been able to provide an opinion of **Partial Assurance** over the controls operating within this area because we found that insufficient progress had been made to implement the agreed actions from the previous review.

1.29 In response, we note that a working group has been set up and is in the early stages of addressing the issues raised and implementing appropriate actions to improve controls, which will include further development of financial systems and processes.

1.30 Actions have again been agreed with management to address identified risks from the review and improve the control environment, as follows:

- Central oversight and monitoring will be improved by clearly defining roles and responsibilities across Central Hub services;
- Process mapping will be completed aiming to improve data accuracy and reporting;
- Policy, guidance and training will be updated and effectively communicated to relevant managers;
- Any requirements for business cases will be formalised;
- Completion and retention of Check Employment Status for Tax assessments will be made clear; and,
- Formalise requirements for contract documentation and retention.

1.31 Due to the second Partial Assurance opinion, we plan to complete another review in 2026/27 to assess the extent to which these actions have been implemented.

Schools

1.32 We have a standard audit programme in place for all school audits, with the scope of our work designed to provide assurance over key controls operating within schools. The objectives of our work are to ensure that:

- Governance structures are in place and operate to ensure there is independent oversight and challenge by the Governing Body;
- Decision making is transparent, well documented, and free from bias;
- The school is able to operate within its budget through effective financial planning;
- Unauthorised or inappropriate people do not have access to pupils, systems, or the site;
- Staff are paid in accordance with the schools pay policy;
- Expenditure is controlled and funds used for an educational purpose;
- The school ensures value for money on contracts and larger purchases; and,
- All voluntary funds are held securely and used in accordance with the agreed purpose.

1.33 One school audit was finalised in quarter 2. The table below shows details of this review, together with the final level of assurance reported to them.

Name of School	Audit Opinion
Elm Grove Primary School	**Partial Assurance** Areas requiring improvement included: • Compliance with Procurement Contract Standing Orders; • Declaring and managing conflicts of interest; • Maintaining an accurate record of contracts, through a contracts register; • Approval and raising of purchase orders; and, • Separation of duties in financial processes

1.34 We aim to undertake follow up audits at all schools with Minimal Assurance opinions. For Partial Assurance opinions we will undertake a follow up review or alternatively write to the Chair of Governors to obtain confirmation that actions have been implemented.

1.35 The core financial role of the local authority is to set and monitor a local framework, including provision of budgetary information, provision of financial oversight and intervening where schools are causing financial concerns. Schools (the Governing Body and the Headteacher) are required to manage their delegated budget effectively ensuring the school meets all its statutory obligations, and through the Headteacher, comply with the Local Authority's Financial Regulations and Standing Orders.

Grant Certifications and Non-Opinion Work

Fleet Procurement Compliance & Payment Control

1.36 In recent years, Internal Audit have received several referrals relating to the failure to comply with procurement processes when purchasing fleet vehicles. This has resulted in the Council failing to obtain best value for money and purchasing vehicles that are not always appropriate for the needs of the service.

1.37 This review was an agreed addition to the 2025/26 Internal Audit plan, as requested by the Interim Director for Environmental Services. We were asked to explore concerns in relation to how previous procurement and contract management activities have been undertaken, and to provide guidance to help ensure robust arrangements are in place for future procurement and contract management activity.

1.38 Our review looked at some historical contracts with suppliers over several years and as such does not necessarily reflect current practice. It was therefore agreed that this report would not provide an assurance opinion but would instead be issued as a control report.

1.39 Our report found that there had been weaknesses in the following areas:

- Compliance with Procurement Contract Standing Orders
- Retention of procurement and contract documentation
- Lack of financial information and payment controls.

1.40 Against the three key findings we note that action has already been taken in two of the areas and the third relating to improving financial information and payment controls is in progress.

Childcare Expansion Capital Grant

1.41 The Childcare Expansion Capital Grant is funding provided by the Department for Education towards the capital costs associated with projects that help ensure:

- Sufficient places are provided for children taking up an early years place through the expanded 30-hours entitlement for qualifying working parents); and
- Increasing the supply of wraparound childcare for primary-school aged children.

1.42 Brighton and Hove City Council received funds of £412,289. At the time of the review most of the funds had been spent with only £42,562 remaining.

1.43 Internal Audit conducted a review and sample tested transactions to provide assurance that expenditure was claimed appropriately and in accordance with the grant conditions.

1.44 No issues were identified in the grant certification.

Local Transport Capital Block Funding Grant

1.45 This is capital funding provided by the Department of Transport towards local transport from the Integrated Transport Block and Highways Maintenance Block, Network North funding and the Pothole Action Fund.

1.46 Brighton & Hove City Council received funding of £6.7m for 2024/25. A balance of £613,938 from the funding was carried over to 2025/26 in accordance with the grant conditions. We note that funding provided for pothole repairs was fully spent.

1.47 Internal Audit conducted a review and sample tested transactions to provide assurance that expenditure was claimed appropriately and in accordance with the grant conditions.

1.48 No significant issues were identified in the grant certification.

Bus Subsidy Grant

1.49 This is a ringfenced grant available to local authorities from the Department of Transport to support the improvement of local bus services.

1.50 The amount of £172,990 was provided to the Council for 2024-25 and was fully spent during the year, with no remaining balances.

1.51 Internal Audit conducted a review and sample tested transactions to provide assurance that expenditure was claimed appropriately and in accordance with the grant conditions.

1.52 No significant issues were identified in the grant certification.

2 Proactive Counter Fraud Work

Counter Fraud Activity

2.1. The team continue to monitor intel alerts and share information with relevant services when appropriate.

2.2. The team are continuing to review matches released as part of the National Fraud Initiative. High risk matches will be prioritised for investigation and support provided to services reviewing the reports.

2.3 In addition, the team are liaising with the relevant services to ensure two new mandatory datasets, Residential Care Homes Data and Personal Budget Data, are uploaded as part of the National Fraud Initiative data matching exercise.

2.4 The team have also been running a series of Fraud Awareness sessions for colleagues working in the Welfare Revenues and Benefits Service.

Summary of Completed Investigations

Allegation of Corruption in a Planning Application

2.5 Following receipt of a whistleblowing allegation that Council officers had colluded with a leaseholder to suppress information during a planning application, enquiries were conducted by Internal Audit. Our review found that all issues had been fully investigated previously by several different Council departments without identifying any wrongdoing. In addition, the complaint has gone through the Corporate Complaints Process (all stages) and had been reviewed by the Ombudsman. As a result, there was no case to answer.

Housing Tenancy Fraud

2.6 The Tenancy Fraud Team continue to investigate allegations of potential sublet. They work closely with Housing Managers and other officers for a joined-up approach to allegations of abandonment, with an increasing emphasis on visits and communication with tenants to increase awareness and reiterate a tenant's responsibility under their tenancy agreements.

Council Tax Fraud

2.7 The Team continues to investigate allegations of false claims for Single Person Discount (SPD) and Council Tax Reduction Support (CTRS).

2.8 The table below shows the estimated financial value saved through the work of the Tenancy Fraud Team.

Fraud Area	(£) Year to Date	(£) 2024/25	(£) 2023/24	(£) 2022/23
Properties Recovered	313,200	930,000	558,000	186,000
Housing Application Withdrawn	107,075	359,772	-	-
Homeless Application Withdrawn			-	-
Right-To-Buy Withdrawn		102,400	-	-
SPD Removed	6,424	5,559	8,625	511
Revenues Exemption Removed	1,910	2,947		
CTRS		4,659	440	406
Housing Benefit	4,369		3,853	3,658
Business Rates			-	-
Total	**432,978**	**1,405,337**	**570,918**	**190,575**

3 Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. When high priority actions become due, we seek confirmation from service management that actions have been implemented. At the end of quarter 2, we can report that no high priority actions are showing as overdue. Whilst most actions were confirmed as implemented, this does include some actions that are repeated in the follow up audit reports, summarised in section 1, with new target implementation dates.

3.2 In addition a number of other high priority actions have had their implementation deadlines extended, in agreement with management. Where the revised deadlines are not met, these will be reported to the next meeting of the Audit, Standards and General Purposes Committee.

4 Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the Internal Audit plan for the year has been kept under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management the following audits have been added to the audit plan this quarter:

Planned Audit	Rationale for Addition
Home Purchase Scheme follow up	Early follow up review requested by the service following previous partial assurance audit.
Cyber Security in Schools (Themed Review)	Audit added in response to incidents highlighting vulnerabilities, both locally and nationally.

4.2 In order to allow these additional audits to take place, contingency available for emerging risks has been used. In addition, the following audits have been removed or deferred from the audit plan and where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas, which may require a reschedule of audit assignments.

Planned Audit	Rationale for Removal
Local Government Reorganisation & Devolution	Audit activity deferred to 2026/27 in accordance with timescales which will confirm plans for Sussex.
Prepayment Cards – (Huggg) follow up review	Since the audit a control report has been issued following financial loss on unapproved vouchers issued via a school account. This follow up review is deferred to 2026/27 to

	allow further time to review usage and embed actions to improve controls.

5 Internal Audit Performance

5.1 In addition to the annual assessment of internal audit effectiveness against Global Internal Audit Standards (GIAS), the performance of the service is monitored on an ongoing basis against a set of agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	2025/26 Internal Audit Strategy and Annual Audit Plan formally approved by Audit, Standards & General Purposes Committee - Tuesday, 22nd April 2025.
	Annual Audit Report and Opinion	By end July	G	2024/25 Annual Report and Opinion presented to Audit, Standards & General Purposes Committee 24th June 2025.
	Customer Satisfaction Levels	90% satisfied.	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	45%	A	44.8%
	Percentage of audit plan days delivered	45%	A	43.3%
Compliance with Professional Standards	Global Internal Audit Standards	Conforms	G	April 2025 - Self Assessment against the recently introduced Global Internal Audit Standards (GIAS) completed. No major areas of non-conformance identified. Some areas to ensure full compliance have been identified including the update of the Audit Charter.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures, and Investigations Act	Conforms	G	No evidence of non-compliance identified

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100% for high priority agreed actions (see above)
Our staff	Professionally Qualified/Accredited (Includes part-qualified staff and those undertaking professional training)	80%	G	88%

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Brighton & Hove City Council

Audit, Standards and General Purposes Committee

Agenda Item 39

Subject: **CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government**

Date of meeting: **25th November 2025**

Report of: **Director of Finance and Property (S151)**

Contact Officer: **Carolyn Sheehan (Audit Manager)**
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Ward(s) affected: **All**

For general release

1. Purpose of the report and policy context

1.1 The purpose of this report is to update the Committee on the new Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) and to report on the results of Brighton and Hove City Council's self-assessment against it, along with any actions arising.

1.2 CIPFA has developed the Code in order to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit. The Code is designed to work alongside the new Global Internal Audit Standards (GIAS), which were reported to Audit, Standards and General Purposes Committee in September 2025

2. Recommendations

2.1 That Committee considers the contents of this report and Appendix 1, and to approve the following:

(i) The results of the self-assessment against the new Code;
(ii) The action plan developed in response to that self assessment.

3. Context and background information

3.1 The statutory basis for Internal Audit in local government is provided in the Accounts and Audit Regulations 2015, which require a local authority to "*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes"*, taking into account relevant professional standards

3.2 With effect from 1 April 2025, these Standards are GIAS (and the Application Note: GIAS in UK Public Sector), which include essential conditions for the governance of internal audit. The Code of Practice has therefore been developed to provide a framework for how these conditions can be met within the specific context of UK local government, including roles and responsibilities of the audit committee, senior management and those charged with governance towards internal audit.

3.3 CIPFA highlights that effective arrangements for the governance of internal audit, as well as effective internal audit, are vital parts of an authority's governance arrangements and therefore require local authorities to explain how they comply with the Code within their annual governance statements.

4. Analysis and consideration of alternative options

4.1 A full copy of the self-assessment against the new Code is attached to this report as Appendix 1 and includes details of any potential actions arising from it. As can be seen, the organisation is generally conforming with the majority of the Code with the exception of two areas, neither of which are considered significant and both of which can be addressed relatively quickly and easily.

4.2 These actions relate to the following areas:

- The need for the Council to explain how it complies with the new Code with its Annual Governance Statement (AGS). Given the April 2025 implementation date, this will be addressed with the 2025/26 AGS;
- The need for the relevant audit committee to include its conclusions as to the effectiveness of Internal Audit as part of its own annual report to those charged with governance.

4.3 In both cases, management will be working with the audit committee to implement the necessary actions by the end of 2025/26 with a report coming to the Audit, Standards and General Purposes Committee in June 2026 reporting on the effectiveness of the Internal Audit function.

5. Community engagement and consultation

5.1 There is no requirement for community engagement and or consultation regarding this item.

6. Financial implications

6.1 There are no direct financial implications arising from this report. The self-assessment has been completed in order to help support strong and effective organisational governance in line with best practice.

Name of finance officer consulted: John Hooton Date consulted 29/10/25:

7. Legal implications

7.1 There are no direct legal implications arising from this report. The self-assessment has been completed in order to help support strong and effective organisational governance in line with best practice: an area of activity which it is within this Committee's delegated powers to scrutinise.

Name of lawyer consulted: Victoria Simpson Date consulted 28/10/25

8. Risk implications

8.1 There are no direct risk implications arising from this report. The self-assessment has been completed in order to help support strong and effective organisational governance in line with best practice.

9. Equalities implications

9.1 There are no direct equalities implications.

10. Sustainability implications

10.1 There are no sustainability implications.

11. Other Implications

11.1 There are no other implications.

12. Conclusion

12.1 The Committee is recommended to consider the contents of this report and appendices and to approve the results of the assessment against the Code and the action plan in response to this.

Supporting Documentation

Appendices

1. CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government Self-Assessment

Code of Practice for the Governance of Internal Audit in UK Local Government – Self Assessment

Requirement	Description	Responsibility	Response	Action
Authority Compliance (Section 4)	The authority should explain how it complies with the Code in its annual governance statement. CIPFA is currently updating its guidance on annual governance statements for publication in 2025. Conformance with both the Code and GIAS in the UK public sector will be featured in the new Addendum as part of the core arrangements authorities should have in place. Effective arrangements for the governance of internal audit, as well as effective internal audit, are vital parts of an authority's governance arrangements.	Authority	This is a new requirement and will therefore be included in future AGS.	Management to ensure that 2025/26 AGS includes specific reference to organisational compliance with Code of Practice for the Governance of Internal Audit in UK Local Government.
Internal Audit Mandate (Section 1.1)	In local government in the UK, internal audit's authority comes from the statutory requirement within the Accounts & Audit Regulations [England] 2015.	Internal Audit	Included within IA Charter which is approved annually by senior management and audit committees.	None.
	In addition to internal audit's mandate from regulations, each body may agree a wider statement of internal audit's authority.	Authority	Internal Audit's mandate is further set out within local financial regulations and procedures.	None.

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Requirement	Description	Responsibility	Response	Action
Internal Audit Charter (Section 1.2)	The chief audit executive has a responsibility to prepare a charter that conforms with GIAS (UK public sector). When reviewing the charter, the audit committee should be satisfied that it covers the governance arrangements for internal audit. It must include the mandate derived from the regulations, plus any additional agreed mandate, and include internal audit's reporting line to the audit committee. The charter should include the administrative reporting arrangements for internal audit and the chief audit executive.	Internal Audit	Internal Audit Charter has been updated to reflect new GIAS, including governance arrangements for internal audit. Specific reference to mandate from regulations already covered.	None.
Support for Internal Audit (Section 1.3)	Internal audit's activities require access to and support from senior management, the audit committee and those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations.	Authority	Internal Audit has regular access to senior management, the audit committee and those charged with governance.	None.
	Support including putting in place the following conditions: • The direct reporting line of the Chief Internal Auditor is not lower than a member of the senior management team and has access to all members of the team;	Authority	The Chief Internal Auditor is a senior manager and reports directly to a member of the senior management team and has access to all others where needed.	None.

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Requirement	Description	Responsibility	Response	Action
	• The Chief Internal Auditor should be a senior manager, providing them with the necessary profile to fulfil the function's mandate; • Where internal audit is delivered through a partnership arrangement, there is a nominated Chief Internal Auditor and client responsibility lies with a member of senior management; • The organisational position of the Chief Internal Auditor should be supported by direct reporting to the audit committee.		In all cases client management rests with a member of senior management. The Chief Internal Auditor has a direct reporting line to all audit committees.	
	The audit committee can also demonstrate its support for internal audit by: • Enquiring of senior management and the Chief Internal Auditor about any restrictions on the internal audit's scope, access, authority or resources that limit its	Authority	In all cases, audit committees have the ability to, and do, enquire as to any restrictions on internal audit activities.	None.

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	ability to carry out its responsibilities effectively. • Considering the audit plan or planning scope and formally approving or recommending approval. • Meeting at least annually with the Chief Internal Auditor in sessions without senior management present.		Audit Strategies and Plans are approved by all audit committees on an annual basis. Whilst it does not routinely happen, arrangements exist to enable the Chief Internal Auditor to meet with audit committees without senior management present.	
Organisational Independence (Section 2.1)	On behalf of those charged with governance, senior management needs to establish and safeguard internal audit's independence. These arrangements must include: • Ensuring internal audit's access to staff and records, as set out in regulations and the charter, operates freely and without any interference to its scope, performance of engagements or communication of results. • Ensuring that the chief audit executive reports in their own right to the audit committee on the work of internal audit. • Providing opportunities for the chief audit executive to meet with the audit	Authority	Internal Audit access to staff and records covered within Charter, Accounts and Audit Regulations and local financial procedures/regulations. Whilst the Chief Internal Auditor effectively reports in their own right to audit committees on the work of Internal Audit, technically in some cases the reports are presented in the name of senior management in	None.

Requirement	Description	Responsibility	Response	Action
	committee without senior management present. At least one such meeting must be held each year. • Where there are actual or potential impairments to the independence of internal audit, senior management should work with the chief audit executive to remove or minimise them or ensure safeguards are operating effectively. • Recognise that if the chief audit executive has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit. The impact must be discussed with the chief audit executive and the views of the audit committee sought. Where needed, appropriate safeguards must be put in place by senior management to protect the independence of internal audit and support conformance with professional standards.		accordance with organisational requirements. Both the Chief Internal Auditor and the audit committees have the ability to meet in private at any time without senior management present. This is an option available when needed. No actual or potential impairments to the independence of internal audit exist or have been experienced. The Chief Internal Auditor currently has no additional roles or responsibilities that impact on the independence and performance of Internal Audit.	

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Requirement	Description	Responsibility	Response	Action
	In local government, matters around the appointment, removal, remuneration and performance evaluation of the chief audit executive will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit. The audit committee should provide feedback on the proposed job description and the performance evaluation of the chief audit executive should include feedback from the chair of the audit committee. **In shared or outsourced arrangements, the audit committee should provide feedback on the operation of the contract.**	Authority	Whilst audit committee chairs have previously been involved in the appointment of the CIA, this has not formally included feedback on their performance evaluation. Through ongoing interaction between CIA and audit committee, along with performance information provided with regular progress reports, the audit committee are able to provide ongoing feedback on the operation of the shared services arrangements. Confirmation of adequacy of internal audit arrangements provided annually as part of annual internal audit report.	None.
	The audit committee must support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about	Authority	No issues or concerns over Internal Audit independence have arisen and the CIA has the right of access to chairs of	None.

Requirement	Description	Responsibility	Response	Action
	independence from the chief audit executive. The chief audit executive must have the right of access to the chair of the audit committee at any time. The audit committee can escalate its concerns about internal audit independence to those charged with governance.		audit committees where required. Should any issues or concerns arise, arrangements are in place for these to be escalated through regular formal and informal interactions between CIA, the chairs of audit committees and the audit committees themselves, including within formal Internal Audit progress reporting.	
Qualifications of the Chief Audit Executive (Section 2.2)	Ensuring effective leadership of the internal audit team requires a suitably qualified and experienced chief audit executive. The Application Note: GIAS in the UK public sector sets out the qualifications and competencies expected of the chief audit executive. These must be taken into account by senior management when recruiting to the post.	Authority	The CIA role profile clearly requires the postholder to be suitably qualified and experienced, and these are taken into account by senior management when recruiting the role.	None.
	Where internal audit is fully outsourced, senior management should ensure that an appropriate individual from the provider is	Authority	No fully outsourced arrangements in place.	None.

Requirement	Description	Responsibility	Response	Action
	nominated as the chief audit executive and meets the qualification requirements.			
Audit Committee Interaction (Section 3.1)	All audit committees should follow the CIPFA audit committee guidance for the oversight of internal audit.	Authority	In 2021, Audit and Standards Committee completed a self-assessment in accordance with CIPFA best practice. The assessment generally identified a few areas for improvement which were actioned. Current self assessment also completed.	None.
	To ensure there is good interaction between the audit committee and internal audit, audit committees must agree its work plan with the chief audit executive to ensure there is appropriate coverage of internal audit matters within audit committee agendas.	Authority / Internal Audit	Forward plans for all audit committees are in place, produced in conjunction with the CIA, and which include appropriate coverage of internal audit matters.	None.
	The audit committee workplan should provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports. The committee should also oversee the tracking and implementation of the actions agreed following audits.	Authority / Internal Audit	Forward plans for all audit committees include the internal audit mandate and charter, strategy, plans, engagement reporting, annual conclusion, quality reports and action tracking.	None.

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	The audit committee must familiarise itself with the authority's assurance framework, governance, risk management and internal control arrangements to facilitate its interactions with internal audit.	Authority	All audit committees remit includes assurance framework (inc. AGS), governance, risk management and internal control.	None.
	Senior management should update the audit committee on significant changes to governance, risk and control arrangements and any concerns they have on assurance. The audit committee should have oversight of the annual governance statement before final approval.	Authority	See above. All audit committees have oversight of the annual governance statement before final approval.	None.
	Where internal audit consider the management of risk or proposed actions in response to audit engagements represent an unacceptable level of risk to the authority, the audit committee must review the matter. The committee should make their recommendation to either management or those charged with governance as necessary.	Authority / Internal Audit	Where Internal Audit consider management's response to risk issues identified through internal audit activity is unacceptable, this will be reported to the audit committee for review. No such circumstances have, however, been identified.	None.
Resources (Section 3.2)	The audit committee and senior management must engage with the chief audit executive to review whether internal audit's financial, human and technological resources are	Authority	Through regular reporting to audit committees throughout the year the CIA will report any issues associated with	None.

Requirement	Description	Responsibility	Response	Action
	sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS (UK public sector).		financial, human or technological resources that may impact on service delivery. Regardless, audit committees regularly enquire of the CIA on these issues to obtain the necessary assurance.	
	Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns should be formally recorded and reported to those charged with governance.	Authority	See above. This has not occurred, but should it happen, concerns would be escalated through the audit committee to those charged with governance.	None
	If resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement.	Authority	See above. Should the CIA report on any limitation of scope, this will be included with the annual governance statement.	None.
	Decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the authority and internal audit's role in supporting those objectives. The	Authority	Long terms resourcing of the IA function based on organisational priorities, risks and financial strategies.	None.

Requirement	Description	Responsibility	Response	Action
	long-term viability of the internal audit function must be considered.			
	Where there are temporary resource constraints, senior management must work with the chief audit executive to establish longer-term plans for sustainable internal audit resources.	Authority	Resourcing challenges are managed by the CIA in co-ordination with senior management and the audit committee. Long term strategy currently focussed on 'growing our own' with appropriate investment in training and development.	None.
Quality (Section 3.3)	Annually, the audit committee must review the results of the chief audit executive's assessment of conformance against GIAS (UK public sector), including any action plan.	Authority	An annual self-assessment against professional standards (GIAS) is undertaken by the CIA and reported to the audit committee, along with a summary of any actions arising.	None.
	The audit committee must review the chief audit executive's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives. The committee should review in-year updates and	Authority	The audit committee reviews all outputs from the CIA including annual report and opinion, quarterly progress reports and the strategy and annual audit plan. Appropriate	None.

Requirement	Description	Responsibility	Response	Action
	make appropriate enquiries if there are concerns about internal audit performance.		discussions and enquiries take place on all occasions.	
	To meet the requirements of the regulations (the mandate) for internal audit, the audit committee must satisfy itself on the effectiveness of internal audit. They should take into account conformance with the standards, interactions with the committee, performance and feedback from senior management. Their conclusions should be reported to those charged with governance, for example, as part of the audit committee's annual report.	Authority	See above. The audit committee regularly receives reports covering internal audit performance and effectiveness and makes enquiries of these throughout the year. Currently unclear, however, as to the extent to which conclusions are reported to those charged with governance.	Review arrangements for Audit, Standards and General Purposes Committee reporting on its conclusions as to the effectiveness of Internal Audit, possibly as part of the committee's annual report.
External Quality Assessment (Section 3.4)	On behalf of those charged with governance and the audit committee, senior management must ensure that internal audit has an external quality assessment at least once every five years of its conformance against GIAS (UK public sector), including this Code. Senior management and the chief audit executive should discuss the timing of the review and report the options and their recommendation to the audit committee.	Authority	Internal Audit is subject to an independent external quality assessment at least once every 5 years, with last review conducted by the Chartered Institute of Internal Auditors, which reported in 2022. Next review therefore due in 2027, the timing and options for which will be agreed with the audit committees.	None.

Requirement	Description	Responsibility	Response	Action
	Where the authority is the client of an internal audit provider, (shared, partnership or outsourced functions), then agreement on the approach to the EQA will need to take account of the broader arrangements.	Authority	See above – agreement to the approach obtained from all audit committees and takes account of broader partnerships arrangements.	None.
	Where the authority commissions the EQA, the proposals for the scope, method of assessment and assessor should be brought to the audit committee for agreement. For all EQAs covering local government clients, the assessor must use this Code alongside the standards and be familiar with the sector.	Authority	See above – for next review, scope, method and assessor will continue to be bought to audit committees for agreement and will include use of the Code.	None.
	The audit committee must receive the complete results of the assessment and consider the chief audit executive's action plan to address any recommendations. Progress should be monitored.	Authority / Internal Audit	The complete results of external assessments are reported to all audit committees along with details of any action plans arising.	None.
	Where the audit committee does not have delegated authority, the committee should report the overall results of the external quality assessment to those charged with governance.	Authority	See above.	None.

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