Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Date: **24 November 2026**

Time: **4.00pm**

Venue: **Council Chamber, Hove Town Hall**

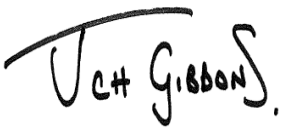
Members: **Councillors:** West (Chair), Guilmant (Deputy Chair), Atkinson, Czolak, Helliwell, Hewitt, Loughran and Lyons

Contact: **Grace Leonard**
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Chief Executive
Hove Town Hall
Norton Road
Hove BN3 3BQ

Date of Publication - Monday, 16 November 2026

AGENDA

Part One **Page**

29 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.

30 MINUTES **7 - 12**

To consider the minutes of the meeting held on 23 June 2026.

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

31 CHAIR'S COMMUNICATIONS

32 CALL OVER

(a) Items 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.

33 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 12 noon on the 12 November 2026;

(c) Deputations: to receive any deputations submitted by the due date of 12 noon on the 12 November 2026.

34 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.

35 EXTERNAL AUDIT - AUDIT FINDINGS REPORT 2025/26 **To Follow**

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

36 AUDITED STATEMENT OF ACCOUNTS 2025/26 **13 - 144**

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

37 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 1 PROGRESS REPORT 2026/27 **145 - 168**

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

38 STANDARDS UPDATE **169 - 176**

Contact Officer: *Victoria Simpson* *Tel: 01273 294687*

39 CIPFA I360 REPORT **177 - 192**

Contact Officer: *Elizabeth Griffiths*
Ward Affected: *Regency*

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

PART TWO

42 PART TWO MINUTES **193 - 194**

To consider the part two minutes of the meeting held on 23 June 2026.

43 PART TWO PROCEEDINGS

To consider whether the items listed in Part Two of the agenda and decisions thereon should remain exempt from disclosure to the press and public.

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 12 noon on the fourth 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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Therefore, by entering the meeting room and using the seats in the chamber you are deemed to be consenting to being filmed and to the possible use of those images and sound recordings for the purpose of web casting and/or Member training. If members of the public do not wish to have their image captured, they should sit in the public gallery area.

Access notice
The Public Gallery is situated on the first floor of the Town Hall and is limited in size but does have 2 spaces designated for wheelchair users. The lift cannot be used in an emergency. Evac Chairs are available for self-transfer and you are requested to inform Reception prior to going up to the Public Gallery. For your own safety please do not go beyond the Ground Floor if you are unable to use the stairs**.**
Please inform staff on Reception of this affects you so that you can be directed to the Council Chamber where you can watch the meeting or if you need to take part in the proceedings e.g. because you have submitted a public question.

Meeting Accessibility
To ensure that our meetings remain safe and accessible there are a number of measures that are in place. Please take note of them before and during your attendance at one of our meetings that are held in public:

- Visitors are admitted on condition that they allow themselves and their belongings to be searched.
- You will be asked to sign in upon arrival and may be asked to show proof of identity.

The following items are not permitted at any of our meetings which are held in public:

- Sharp items e.g. knives (including Swiss army knives) scissors, cutlery and screwdrivers;
- Paint spray or similar items;
- Padlocks, chains and climbing gear;

- Items that make a noise (e.g. whistles, loud hailers, mega phones); and,
- Banners, placards and flags or similar items.

Please restrict the size of bags brought to meetings as there are no facilities for storage of bags or other personal items – all bags will be searched upon entry. You may also be subject to secondary searches once inside the meeting.

Conduct at meetings
Councillors must be able to make themselves heard on behalf of those they represent.

The Mayor or the Chair will not allow behaviour that disrupts council business.

Under the Council's Constitution, Part 3A, Council Procedure Rules 16.2 -16.3, at any meeting of the Council, the Mayor/Chair has the power to order the removal of any member of the public who:

- interrupts the proceedings
- acts in a way that impacts the proper and orderly conduct of the meeting

In the interest of order during a meeting, the Mayor/Chair may suspend or adjourn a meeting for any length of time they decide.

You must follow the Mayor's/Chairs direction, including any requests to sit down or stop acting in a way that disrupts the Council business.

In most meetings, there are no incidents and Council is not disturbed. We hope this continues so there is no need for the Mayor or any Chair of a meeting to take these actions.

Fire & emergency evacuation procedure
If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building, but move some distance away and await further instructions; and
- Do not re-enter the building until told that it is safe to do so

BRIGHTON & HOVE CITY COUNCIL

AUDIT, STANDARDS & GENERAL PURPOSES COMMITTEE

4.00pm 23 JUNE 2026

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillor West (Chair) Guilmant (Deputy Chair), Atkinson, Czolak, Helliwell, Hewitt, Lyons, and Parrott

Other Members present: Councillor Allen

PART ONE

1 PROCEDURAL BUSINESS

1a Declarations of substitutes

1.1 Councillor Parrott was present as a substitute for Councillor Loughran.

1b Declarations of interests

1.2 There were none.

1c Exclusion of the press and public

1.3 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.

1.4 **RESOLVED** - That the public are excluded from the meeting from items listed on Part 2 of the agenda.

2 MINUTES

2.1 **RESOLVED** – That the minutes of the previous meeting held on 21 April 2026 be approved and signed as the correct record.

3 CHAIR'S COMMUNICATIONS

3.1 The Chair provided the following communications:

Ali McManamon, Corporate Director City Operations, sends her apologies and Chris Wales, Director of IT&D, who will be joining us online, will be on hand for audit questions and in particular IT&D.

Sadly, Georgia Steers, our Counter Fraud lead, has experienced a close family bereavement and is unavailable to present understandably, the Annual Counter Fraud and Counter Fraud Strategy reports will be presented by Mark. I'm sure you've been prepping up but are maybe not going to be able to answer every member question and we'll bear that in mind. I'm sure members will wish to join me in expressing our condolences to Georgia.

I'm pleased to welcome Cllr Jacob Allen, Cabinet Member for Customer Services and Public Realm, who will be available to support our discussion of the Annual Governance Statement and will hopefully help reassure the committee that the improvement actions identified are priorities for the Cabinet.

Members will appreciate that part of the Internal Audit and Counter Fraud Quarter 4 progress report is of a sensitive nature and an exemption category has been applied. Members have just agreed to that exemption, so I will ask members to ensure they do not discuss the part 2 item in open session, we will need to move to into private session in order to discuss that. I appreciate many members will be unfamiliar with the working of this procedure, and it is the first time in my term as chair we have encountered this and it has been sometime since I've sat committee since I've had this situation, so I will ask our legal advisor when we get to those items to step us through and make sure we are getting right.

Can I finally say, given the interactions at the last committee, when we consider the Standards Quarterly Report, it is important to remind members that our enquiries remain fairly general about system and process, I know that's a challenge because we do wish to be able to discuss some of the particular complaints, but we mustn't stray too far into the specifics of any particular complaint. It's really not our role and it's not appropriate.

4 CALL OVER

4.1 The Democratic Services Officer called the agenda items to the committee. The following items were not called for discussion and therefore taken to be agreed in accordance with the officer's recommendations:

- Item 8 – Informing the Audit Risk Assessment 2025/26

4.2 All other items were called for discussion.

5 PUBLIC INVOLVEMENT

5.1 No public representations were received.

6 MEMBER INVOLVEMENT

6.1 No member representations were received.

7 EXTERNAL AUDIT PLAN 2025/26

7.1 The Committee considered the report of the External Auditor that provided members with an overview of the planning scope and timing of the council's statutory external audit for the financial year ending 31 March 2026. The plan sets out the risks identified ahead of the main audit work, levels of materiality for the financial statements, and the proposed audit fees for 2025/26.

7.2 Councillors Atkinson, Czolak, Guilmant, Lyons, and West asked questions and contributed to the debate of the report.

7.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee agrees to note the external audit plan document, having considered whether to notify the external auditor if there are any additional matters that it considers may also impact on the planned audit work and context for the financial year ending 31 March 2026.

8 INFORMING THE AUDIT RISK ASSESSMENT 2025/26

8.1 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee:

1) Note the audit risk assessment document.

2) Indicate which (if any) additional matters it considers should be notified to the external auditor on the basis that they may also impact on the planned audit work and context for the financial year ending 31 March 2026.

9 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2025/26

9.1 The Committee considered Internal Audit Annual Report and Opinion 2025/26 which gives an opinion on Brighton and Hove City Council's control environment for the year from the 1 April 2025 to 31 March 2026.

9.2 Councillors Atkinson, Guilmant, Helliwell, Hewitt, Parrott, and West asked questions and contributed to the debate of the report.

9.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee:

1) Note the work undertaken and the performance of Internal Audit in 2025/6 and the annual opinion of the Chief Internal Auditor.

2) Determine whether there are any matters that the Committee wishes to consider for the inclusion in the Council's Annual Governance Statement.

3) Agree that the Council's arrangements for internal audit proved effective during 2025/26.

10 COUNTER FRAUD ANNUAL REPORT 2025/26

10.1 The Committee considered the Counter Fraud Annual Report 2025/26 providing members with an update on all counter fraud activity completed during 2025/26.

10.2 Councillor Hewitt and Councillor West asked questions and contributed to the debate of the report.

10.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee note the fraud activity completed during 1st April 2025 to 31st March 2026.

11 COUNTER FRAUD STRATEGY

11.1 The Committee considered the Counter Fraud Strategy report which presented the recently updated Counter Fraud and Corruption Strategy.

11.2 Councillors Hewitt, Lyons, Parrott, and West asked questions and contributed to the debate of the report.

11.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee approve the Council's Counter Fraud Strategy.

12 FORMAL APPROVAL OF THE ANNUAL GOVERNANCE STATEMENT 2025-2026

12.1 The Committee considered the report of the Director of People and Innovation, that provided members with an Annual Governance Statement (AGS) to report publicly on the extent to which it complies with its own code of governance. The report directly supports the Council Plan Outcome 4: A responsive council with well-run services – Good governance and financial resilience.

12.2 Councillors Atkinson, Czolak, Guilmant, Parrott, and West asked questions and contributed to the debate of the report.

12.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee approve the Annual Governance Statement 2025-2026.

13 STANDARDS UPDATE

13.1 The Committee considered an update on Standards-related matters.

13.2 Councillors Atkinson, Czolak, Guilmant, Helliwell, Lyons, and West asked questions and contributed to the debate of the report.

13.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee note the contents of this Report, including the information provided regarding the Independent Persons appointments.

14 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 4 PROGRESS REPORT 2025/26

14.1 The Committee considered an update on all internal audit and counter fraud activity completed during quarter 4 (2025/26), including a summary of all key audit findings.

14.2 Councillors Atkinson, Guilmant, Helliwell, Hewitt, Parrott, and West asked questions and contributed to the debate of the report.

14.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee note the report and consider the findings from Internal Audit activities in accordance with the Committee's terms of reference.

15 ITEMS REFERRED FOR COUNCIL

15.1 No items were referred to Full Council for information.

16 ITEMS FOR THE NEXT MEETING

16.1 Councillor Guilmant requested that the recent CIPFA report on the i360 be considered at the next meeting of the Audit, Standards, and General Purposes Committee.

16.2 **RESOLVED –**

That the CIPFA report on the i360 be brought to the next meeting of Audit, Standards, and General Purposes on 22 September 2026.

17 PART TWO PROCEEDINGS

17.1 **RESOLVED** – That the Part 2 Items remain exempt from disclosure from the press and public.

18 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 4 PROGRESS REPORT 2025-26 (EXEMPT CATEGORY 3)

18.1 As per the Part Two minutes.

The meeting concluded at 7.35pm

Signed Chair

Dated this day of

Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 36

Subject: **Audited Statement of Accounts 2025/26 and Letter of Representation**

Date of meeting: **24 November 2026**

Report of: **Chief Finance Officer**

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 The purpose of this report is to present the Council's audited Statement of Accounts for the financial year ending 31 March 2026 and to seek the Audit Committee's approval of:

- The audited Statement of Accounts for 2025/26;
- The Letter of Representation to the External Auditor; and
- Delegated authority to the Chief Financial Officer, in consultation with the Chair of the Audit Committee, to make any final non-material amendments required prior to publication.

1.2 The report also provides Members with an overview of the audit process, key matters arising from the audit and confirmation of the arrangements in place to ensure the integrity and quality of the Council's financial reporting.

2. Recommendations

2.1 That Committee approves the audited Statement of Accounts for the year ended 31 March 2026.

2.2 That Committee authorises the Chair of the Audit Committee to sign the Statement of Accounts on behalf of the Council.

2.3 That Committee approves the Letter of Representation and authorises its signature by the Chief Finance Officer.

2.4 That Committee notes the findings reported by the external auditor.

2.5 That Committee delegates authority to the Chief Finance Officer, in consultation with the Chair of the Audit Committee, to make any final presentational, clerical or non-material amendments required prior to publication.

3. Context and background information

Executive Summary

3.1 The Statement of Accounts for 2025/26 has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom and all relevant statutory requirements.

3.2 The accounts have been subject to a comprehensive programme of quality assurance, professional review and external audit scrutiny. Throughout the audit process, Council officers have worked closely and constructively with the External Auditor to ensure that all audit enquiries have been addressed in a timely and transparent manner.

3.3 The audit has resulted in a number of amendments and disclosures designed to improve the accuracy and clarity of the financial statements. All material amendments proposed by the External Auditor have been incorporated into the final audited accounts.

3.4 Members are asked to consider the External Auditor's findings alongside the audited Statement of Accounts and determine whether they are satisfied that the accounts present a fair and transparent record of the Council's financial position and performance during the year.

Background

3.5 Local authorities are required under the Accounts and Audit Regulations to prepare an annual Statement of Accounts that provides a true and fair view of their financial position, financial performance and cash flows.

3.6 The Statement of Accounts forms a key component of the Council's governance framework and supports transparency, accountability and effective stewardship of public funds.

3.7 The Council’s accounts include:

- Narrative Report;
- Statement of Responsibilities;
- Core Financial Statements;
- Supplementary Notes and Disclosures; and
- Collection Fund Statements.

3.8 The unaudited Statement of Accounts was approved for issue by the Chief Financial Officer and subsequently made available for public inspection in accordance with statutory requirements.

3.9 Following completion of the statutory inspection period, the accounts were submitted to the External Auditor for detailed examination.

Accounts Preparation and Quality Assurance

3.10 The Council maintains comprehensive arrangements to ensure that its financial statements are prepared to a high professional standard and comply with applicable accounting requirements.

3.11 Preparation of the Statement of Accounts is undertaken by suitably qualified and experienced finance professionals with extensive knowledge of local authority accounting, financial reporting standards and statutory accounting requirements.

3.12 Officers undertake continuing professional development and receive regular technical updates from CIPFA, professional accountancy bodies and external advisers to ensure compliance with emerging accounting developments and regulatory changes.

3.13 Robust quality assurance arrangements are embedded throughout the closedown process. These include:

- Detailed working paper standards;
- Independent management review;
- Reconciliation procedures;
- Senior officer challenge and oversight;
- Analytical review; and
- Continuous liaison with the External Auditor.

3.14 The Chief Finance Officer is satisfied that appropriate systems of internal control operated throughout the accounts preparation process and that the Statement of Accounts has been prepared on a sound and reliable basis.

External Audit

3.15 The Council's appointed External Auditor has undertaken its audit in accordance with applicable auditing standards and regulatory requirements.

3.16 The purpose of the audit is to obtain sufficient assurance regarding whether the financial statements are free from material misstatement arising from fraud or error.

3.17 Throughout the audit process, officers have responded positively and promptly to requests for information and have maintained a constructive working relationship with the audit team.

3.18 The External Auditor's detailed findings are presented separately within the Audit Findings Report, which can be found elsewhere on this agenda.

3.19 All audit recommendations have been reviewed and, where appropriate, incorporated into future financial reporting and governance arrangements as part of the Council's commitment to continuous improvement.

Audit Adjustments

3.20 During the course of the audit a number of amendments and presentational changes were identified.

3.21 These amendments have been discussed and agreed with management and have been reflected within the final audited Statement of Accounts.

3.22 The amendments identified by the External Auditor do not indicate any systemic weaknesses in the Council's financial management arrangements but are representative of the normal audit process associated with the preparation of complex financial statements.

3.23 Members are referred to the Audit Findings Report, included elsewhere on this agenda, for full details of all adjusted and unadjusted differences identified during the audit.

Audit Opinion

3.24 The External Auditor intends to issue an unqualified opinion on the Council's 2025/26 financial statements, with the inclusion of an Emphasis of Matter paragraph relating to the ongoing equal pay claims disclosed within Note 19 of the financial statements as a contingent liability. Based on the audit evidence obtained, the External Auditor is satisfied that the Council's accounting treatment and disclosure of the matter are appropriate in accordance with the relevant accounting standards.

3.25 An Emphasis of Matter paragraph is used to draw readers' attention to a matter that is appropriately disclosed in the financial statements and is fundamental to understanding the Council's accounts. It does not represent a modification or qualification of the audit opinion.

3.26 An unqualified opinion provides assurance that the financial statements give a true and fair view of the Council's financial position at 31 March 2026 and of its financial performance and cash flows for the year then ended.

Letter of Representation

3.29 Auditing standards require the External Auditor to obtain written representations from management and those charged with governance.

3.30 The Letter of Representation confirms that:

- Relevant information has been provided to the auditor;
- Transactions have been properly recorded;
- The Council has disclosed all known liabilities and commitments;
- Appropriate judgements and estimates have been applied; and

- The financial statements comply with applicable accounting standards and legislative requirements.

3.31 A copy of the Letter of Representation accompanies this report for approval.

Financial Resilience and Governance

3.32 The Council continues to demonstrate generally effective governance arrangements, with established processes supporting risk management, decision-making and financial oversight.

3.33 Budget monitoring arrangements, treasury management oversight, reserves strategy and financial planning processes operate throughout the year and are subject to scrutiny through the Council's governance framework.

3.34 The Statement of Accounts should be considered alongside the Annual Governance Statement and other assurance reports presented to the Committee during the year.

3.35 The Chief Financial Officer remains satisfied that the Council is a going concern and that the financial statements have been prepared on that basis.

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 2025, the Council's 2025/26 accounts are to be approved by the Chief Finance Officer no later than 30 June 2026 and following the audit process are to be approved by Members no later than 31 January 2027. 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.

5.2 The accounts were formally made available for public inspection on the council's website from 1 July 2026 to 11 August 2026. The council did not receive any enquiries as part of the public inspection process

6. Financial implications

6.1 The financial implications are contained within the Statement of Accounts and supporting disclosures presented to this Committee.

6.2 There are no additional financial implications arising directly from the recommendations contained within this report.

Name of finance officer consulted: Haley Woollard
Date consulted: 12/11/2026

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: Elizabeth Culbert Date consulted: 16/11/2026

8. Risk implications

8.1 Effective financial reporting and external audit provide an important component of the Council's overall risk management framework.

8.2 Failure to comply with statutory accounting and audit requirements could expose the Council to reputational, governance and regulatory risks.

8.3 The arrangements described within this report help mitigate those risks and support transparency and accountability in the stewardship of public resources.

9. Equalities implications

9.1 There are no direct equality implications arising from the approval of the Statement of Accounts.

10. Sustainability implications

10.1 There are no direct sustainability implications arising from the approval of the Statement of Accounts

11. Conclusion

11.1 The 2025/26 Statement of Accounts has been prepared in accordance with statutory requirements and relevant accounting standards and has been subjected to comprehensive internal review and external audit scrutiny.

11.2 The Committee is invited to consider the findings of the External Auditor, approve the audited Statement of Accounts and approve the Letter of Representation.

11.3 Approval of the accounts will enable the Council to meet its statutory responsibilities and demonstrate continued transparency, accountability and sound stewardship of public funds.

Supporting Documentation

1. Appendices

1. Audited Statement of Accounts 2025/26

2. Letter of Representation

2. Background documents

1. Audited Brighton & Hove City Council 2025/26 Statement of Accounts and associated working papers.

Brighton & Hove City Council

Audited Statement of Accounts 2025/26

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Chief Finance Officer's Narrative Report

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 280,000 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.

Operationally in 2025/26, the council was managed by the officer Corporate Leadership Team and structured into three directorates: Homes and Adult Social Care, Families, Children and Wellbeing and City Operations. Corporate support functions have grouped together under Central Hub.

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 (brighton-hove.gov.uk) 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 which helps people thrive and a responsive and learning council with well-run services. Please see: Brighton & Hove City Council plan 2023 to 2027 refresh 2025 (brighton-hove.gov.uk) for full details. The council plan and its priorities are delivered through the council's learning organisation framework and 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 Delivering a better Brighton & Hove for all – feedback on our progress (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 council also has a robust risk management approach as set out in the 2025/26 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 2025/26 (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 2025/26 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 23 June 2026.

2025/26 Budget Setting

The 2025/26 budget was set in a continuing extremely financial environment.

Despite setting a balanced budget for 2025/26, there were 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, meant that the council's financial sustainability was at risk. Financial sustainability is a top priority for the

political and managerial leadership of the council, and efforts were 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 in 2026/27. 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 fell 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 was a common picture nationally that created severe financial challenges for the majority of councils and which the government recognised. In response, the government issued a detailed consultation on Local Government Funding Reform and 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 required some very difficult choices to be made given that the council had a relatively low Working Balance and limited risk provisions to help the position in the short term. This was 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 2025/26 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 £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.

2025/26 Outturn

Revenue

The provisional revenue outturn was balanced on the General Fund revenue budget and an overspend of £0.378 million on the Housing Revenue Account. A summary is set out below detailing the breakdown of the General Fund outturn:

Directorate	2025/26 Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
Families, Children & Wellbeing	74,709	73,864	(845)
Homes & Adult Social Care	118,806	129,616	10,810
City Operations	42,558	31,553	(11,005)
Central Hub	35,440	34,103	(1,337)
Centrally Held Budgets	(15,136)	(12,759)	2,377
Total General Fund	**256,377**	**256,377**	**0**

The provisional General Fund outturn is a breakeven position which is an improvement of £4.861 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 £15.486 million at Month 2 (May). The decrease in the provisional outturn 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 £5.003 million. A summary is set out below:

Directorate	2025/26 Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
Families, Children & Wellbeing	8,025	8,025	0
Homes & Adult Social Care	9,402	9,402	0
City Operations	53,789	53,789	0
Central Hub	5,368	5,368	0
Housing Revenue Account	97,646	92,643	(5,003)
Total Capital	**174,230**	**169,227**	**(5,003)**

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

Further details are provided in the 2025/26 outturn report which will be considered and approved by Cabinet on 29 June 2026.

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 2025/26 (approved by Council on 22 February 2025).

Budget Planning 2026/27 and Beyond

The context for budget setting remains very challenging. There are significant budget pressures arising from increases in demand from statutory services, most significantly in emergency and temporary accommodation, but also in respect of adults and children's placements, and home

to school transport. In addition, there are various other pressures across the council in terms of demand, pressures on income sources and the cost of providing services over and above inflation. These pressures are the key drivers of the budget shortfalls over the Medium-Term Financial Strategy (MTFS).

Compounding this, the government's review of the allocation of local government resources under the Fair Funding Review, coupled with the Business Rates Reset, has resulted in the council's core spending power increasing much more slowly than the assumptions within the MTFS, resulting in lower resources to be able to fund services across the council. The final Local Government Finance Settlement resulted in the council receiving nearly £26 million less resources over the settlement period compared to the prevailing MTFS assumptions. Consequently, the council has a budget gap of more than £25 million in 2026/27 and more than £93 million over the 4-year MTFS period.

The council's financial sustainability is also impacted by the low level of reserves held compared to other similar sized authorities. The council has one of the lowest levels of reserves of any unitary authority, and has done for some considerable time, and is therefore unable to withstand significant financial shocks at a time where financial risks to councils are arguably greater than they have ever been. The external auditors, Grant Thornton, have raised a significant weakness in respect of financial sustainability over recent years, and the council's financial sustainability was the top recommendation in the Local Government Association's corporate peer challenge in April 2025.

The council has developed a comprehensive portfolio of transformation programmes to address both the demands the council is facing and to exploit opportunities to address the council's financial sustainability in the medium term. In summary, the activity includes:

- Workstreams to reduce demand and cost of statutory services in Homelessness, Temporary & Emergency Accommodation, Adult Social Care and Children's services. This includes, for example, reducing the high cost of spot purchased temporary accommodation by developing long term contractual arrangements for accommodation, increasing council owned housing supply, as well as increasing preventative work to reduce demand on the homelessness service
- Workstreams that act as financial levers to the council, such as to increase income through greater commercialisation, rationalise the operational property estate, saving money through better procurement and contract management
- Workstreams to ensure the council is geared up to deliver significant change through investing in digital technology and an organisational change programme.

The transformation portfolio feeds into the medium-term financial plan and contributes significantly to the council's objective of a balanced position over the 4-year period from 2026 to 2030. The delivery of the council's transformation programmes must be seen as a top priority for the council to ensure that this approach to long term financial sustainability can be turned into reality.

The level of pressures, particularly in emergency and temporary accommodation, means that it has been incredibly challenging to balance the 2026/27 budget without impacting on the council's financial resilience to an unacceptable level. Further savings have been identified to reduce the gap but given the exceptional demand pressures on emergency and temporary accommodation and social care, alongside very low levels of reserves, the council has requested and received Exceptional Financial Support (EFS) of £15 million from the government. This is part of a strategy to fund service pressures going into 2026/27, protect and increase levels of reserves, and provide time for savings to be delivered through the transformation portfolio. It is important to note that EFS is not additional money from the government; it is a flexibility that enables the council to capitalise revenue expenditure on a one-off basis and spread this cost over a longer period of time (typically 20 years). The cost of undertaking EFS for 2026/27 is reflected in the MTFS, and the MTFS as drafted in support of the 2026/27 budget is balanced over a 4-year period.

The 2026/27 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 2026/27 of £341.476 million
- A substantial capital investment programme of £239.816 million.
- A recommended working balance of between £12.000m to £15.000m (approximately 4% of the net budget) to be maintained over the period of the Medium-Term Financial Strategy.

Further details on the 2026/27 budget can be found in the 2026/27 Budget Report and supporting documents which were approved by Budget Council on 26 February 2026.

Revaluations of Property, Plant and Equipment

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment (PPE). It represents a shift from previous, more varied valuation practices across the local government accounting sector to a standardised 5-year rolling cycle supported by annual indexation.

The council did not previously have a rolling programme of revaluations in place, but instead revalued assets included on the balance sheet at current value sufficiently regularly to ensure that their carrying amount was not materially different from their current value at the end of the financial year, but as a minimum every five years. From 2025/26, the council has moved to revalue its assets every five years, with annual indexation applied to assets during the four intervening years. Where the council cannot obtain indices without undue cost or effort, the council re-values those assets using a quinquennial revaluation, with a desktop revaluation in year three. The effect of indexation has been to increase balance sheet PPE assets by £8.133 million. Further details are provided in Note 10 Non Current Assets.

This is a change in accounting policy which has been applied prospectively, meaning there has been no restatement of prior-year figures. The accounting for Indexation adjustments are handled in the same manner as full valuations.

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 £1.762m) be held in an unusable reserve which remains there for the lifetime of the regulations. The override facility has recently been extended for a further 2 years and now runs to the end of the 2027/28 financial year. Note 16 Grants and Contributions provides more details on the DSG.

In February 2026, the Government announced that as part of the wider SEND system reform they will introduce a High Needs Stability Grant in 2026/27. This grant, subject to compliance with certain conditions, is expected to mean that 90% of the council's cumulative deficit as at 31/03/2026 will be funded by government. Allocations of the High Needs Stability Grant will only be paid once a local authority has developed and submitted to the Department for Education a Local SEND reform plan which is then approved as meeting the required criteria.

School Balances

School balances at the end of 2025/26 are a net deficit of £2.281m, an improvement of £0.342m from the £2.623m net deficit balance at the end of 2024/25. Final school budget plans for 2026/27 are submitted during summer term 2026 and these will incorporate final balances from 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.

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 2026. 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 2025/26 ("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 101, 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.

Elizabeth Griffiths CGMA
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 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 2026 and its income and expenditure for the financial year ended 31 March 2026.

Elizabeth Griffiths CGMA, Director, Property and Finance (Section 151 Officer)
Date: 24 November 2026

Certification by Chair

I confirm that this Statement of Accounts was approved by the Audit, Standards & General Purposes Committee at a meeting held on 24 November 2026.

Signed on behalf of Brighton & Hove City Council by
Councillor Pete West, Chair, Audit, Standards & General Purposes Committee,
Date: 24 November 2026

Brighton & Hove City Council

Core Financial Statements 2025/26

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 2026			Year Ended 31 March 2025		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
	Families, Children & Wellbeing	415,138	(328,909)	86,230	394,790	(306,957)	87,833
	Homes & Adult Social Care	257,994	(124,949)	133,045	238,312	(115,448)	122,864
	City Operations	150,723	(80,880)	69,842	160,226	(81,469)	78,757
	Central Hub	57,968	(18,074)	39,894	54,988	(21,067)	33,921
	Centrally Held Budgets	98,124	(86,679)	11,445	117,627	(108,021)	9,606
	Housing Revenue Account	98,789	(81,074)	17,716	94,147	(79,125)	15,022
5	**Cost of Services**	**1,078,737**	**(720,564)**	**358,173**	**1,060,089**	**(712,087)**	**348,002**
6	(Gain)/loss on the disposal of non-current assets			(13,648)			24,291
6	Precepts and levies			309			298
	Non-current asset charges to academy schools			349			172
	Other Operating Expenditure			(12,990)			24,761
6	Interest payable and premiums			20,221			16,055
25	Net interest on the net defined benefit pension liability			(2,811)			(3,333)
6	Interest receivable and similar income			(3,440)			(4,768)
6	Income and expenditure in relation to investment properties			(3,161)			(3,149)
	De-recognition of financial asset			0			8,955
9,10	Changes in the fair value of investment properties			4,015			333
	Financing and Investment Income and Expenditure			14,823			14,093
	Council tax income (including share of (surplus)/deficit)			(195,511)			(183,179)
	Share of non-domestic rates income (including share of (surplus)/deficit)			(58,961)			(52,771)
	(Gain) / loss on Lessee Leases with nil consideration			1,076			(6,038)
16	Non ring-fenced government grants			(57,554)			(54,766)
16	Capital grants and contributions			(48,475)			(38,021)
	Taxation and Non-Specific Grant Income and Expenditure			(359,425)			(334,775)
	(Surplus)/Deficit on the Provision of Services			581			52,082
9,10	(Surplus)/deficit on revaluation of non-current assets			(17,046)			(32,563)
25	Remeasurements of the net defined benefit liability			15,345			9,356
	Other Comprehensive Income and Expenditure			(1,701)			(23,206)
	Comprehensive Income and Expenditure (Surplus)/Deficit			(1,120)			28,876

Please note the comparative figures for the Improved Better Care Fund and Social Care Grant within Ministry of Housing, Communities and Local Government have been reclassified from revenue government grants credited to taxation and non-specific grant income to ring fenced revenue government grants credited to cost of services. Please see note 31 for more detail.

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.

2025/26	Balance 1 April	Total Comprehensive Income and Expenditure	Adjustments between accounting basis and funding basis under regulations	Net (increase) / decrease	Balance 31 March
	£'000	£'000	£'000	£'000	£'000
General Fund Reserves	(28,037)	(9,479)	11,304	1,825	(26,212)
Housing Revenue Account Reserves	(12,844)	10,060	(7,103)	2,957	(9,887)
Capital Receipts Reserve	(12,295)	0	(2,870)	(2,870)	(15,165)
Capital Grants Unapplied Reserve	(2,924)	0	235	235	(2,689)
Usable Reserves	(56,099)	581	1,566	2,147	(53,953)
Capital Adjustment Account	(1,116,340)	0	4,988	4,988	(1,111,352)
Revaluation Reserve	(653,885)	(17,046)	10,004	(7,042)	(660,927)
Deferred Capital Receipts Reserve	(6,080)	0	320	320	(5,760)
Pooled Investment Funds Adjustment Account	716	0	(20)	(20)	696
Accumulated Absences Account	5,150	0	(595)	(595)	4,555
Financial instruments Adjustment account	8,881	0	(233)	(233)	8,648
Collection Fund Adjustment Account	4,605	0	(49)	(49)	4,556
Dedicated Schools Grant Adjustment Account	680	0	1,083	1,083	1,763
Pensions Reserve	20,120	15,345	(17,064)	(1,719)	18,401
Unusable Reserves	(1,736,153)	(1,701)	(1,566)	(3,267)	(1,739,420)
Total Reserves	(1,792,252)	(1,120)	0	(1,120)	(1,793,373)

2024/25	Balance 1 April	Total Comprehensive Income and Expenditure	Adjustments between accounting basis and funding basis under regulations	Net (increase) / decrease	Balance 31 March
	£'000	£'000	£'000	£'000	£'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)

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 2026	31 March 2025
		£'000	£'000
Property, plant and equipment	10	2,088,719	2,022,799
Heritage assets	10	295,403	286,890
Investment property	10	46,033	49,592
Long term intangible assets	10	12,768	13,957
Long term investments	12	7,025	5,478
Long term debtors	13	13,177	14,131
Long Term Assets		**2,463,125**	**2,392,848**
Inventories		902	781
Short term debtors	13	91,287	79,461
Cash and cash equivalents		42,145	27,670
Short term assets held for sale	10	4,519	0
Current Assets		**138,852**	**107,912**
Bank overdraft		0	(2,063)
Short term borrowing	12	(89,924)	(38,388)
Short term creditors	14	(124,929)	(124,989)
Revenue grants and contributions receipts in advance	16	(25,547)	(17,895)
Short term provisions	15	(826)	(806)
Current Liabilities		**(241,226)**	**(184,140)**
Long term provisions	15	(8,817)	(7,022)
Long term borrowing	12	(436,103)	(383,577)
Capital grants and contributions receipts in advance	16	(61,360)	(69,221)
Other long term liabilities		(42,694)	(44,426)
Pension scheme liabilities	25	(18,401)	(20,120)
Long Term Liabilities		**(567,376)**	**(524,365)**
Net Assets		**1,793,375**	**1,792,255**
Usable reserves	8	(53,953)	(56,100)
Unusable reserves	9	(1,739,422)	(1,736,155)
Total Reserves		**(1,793,375)**	**(1,792,255)**

The audited Statement of Accounts was authorised for issue on 24 November 2026 by the Director, Property and Finance (Section 151 Officer) Elizabeth Griffiths CGMA.

Elizabeth Griffiths CGMA
Director, Property and Finance (Section 151 Officer)
Date: 24 November 2026

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		2025/26	2024/25
		£'000	£'000
	Net Surplus / (Deficit) on the Provision of Services	**(581)**	**(58,120)**
7,9,10	Non-current asset charges - depreciation, amortisation, revaluation and impairment	119,577	111,635
	Increase/(decrease) in creditors	29,109	(2,818)
	(Increase)/decrease in debtors	(20,809)	(6,167)
9 & 25	Movement in the pension liability (element charged to the surplus/deficit on the provision of services)	(17,064)	(12,100)
	Carrying amount of non-current asset disposals	9,983	29,704
	Impairment loss on financial asset	0	8,955
	Non-cash movements on investments	(17)	0
	Other non-cash items charged to the net surplus or deficit on the provision of services	1,693	(1,246)
	Adjustment to Surplus/(Deficit) on the Provision of Services for Non-Cash Movements	**122,471**	**127,964**
	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(22,573)	(5,457)
16	Capital grants applied to the surplus/deficit on provision of services	(54,663)	(40,982)
	Adjustment for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	**(77,236)**	**(46,440)**
	Net Cash Flows from Operating Activities	**44,655**	**23,404**
10,11	Purchase of non-current assets	(185,290)	(134,083)
12	Purchase of short and long term investments	(1,547)	(5,440)
12	Proceeds from short and long term investments	0	28,000
	Proceeds from the disposal of non-current assets	23,882	5,457
	Capital grants received	52,626	48,407
	Other (payments) / receipts for investing activities	(167)	(1,474)
	Net Cash Flows from Investing Activities	**(110,496)**	**(59,132)**
	Cash receipts of short and long term borrowing	203,151	107,500
	Billing authorities - council tax and non-domestic rates adjustments	3,679	(1,687)
18	Reduction of outstanding PFI Liabilities	(24,605)	(19,232)
	Repayment of short term and long term borrowing	(99,845)	(84,210)
	Net Cash Flows from Financing Activities	**82,380**	**2,371**
	Net Increase/(Decrease) in Cash and Cash Equivalents	**16,538**	**(33,357)**
	Bank current accounts	(2,063)	(783)
	Short term deposits	27,670	59,748
	Cash and Cash Equivalents as at 1 April	**25,607**	**58,965**
	Bank current accounts	330	(2,063)
	Short term deposits	41,815	27,670
	Cash and Cash Equivalents as at 31 March	**42,145**	**25,608**
	Movement in Cash and Cash Equivalents	**16,538**	**(33,357)**

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 2025/26, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) supported by International Financial Reporting Standards (IFRS)
- the Service Reporting Code of Practice 2025/26 (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 2026/27:

a) Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024.

b) Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024.

c) Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024

d) Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

It is likely there will be limited application by local authorities of items a) to d), therefore it is anticipated that this will have no impact on the council's 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 2026 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. However, as the interest is not considered material at the balance sheet date 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 £18.401 million 31 March 2026 (compared to a £20.120 million net liability 31 March 2025). 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 valued on a five-year rolling basis, supported by indexation adjustments in years where assets are not valued. Where the council is unable to obtain a suitable index, a desktop revaluation of the asset is carried out in year three of the five-year cycle. 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.	The net book value of property, plant & equipment assets subject to potential revaluation and indexation (other land & buildings, right of use assets subject to revaluation and surplus assets) is £748.693 million as at 31 March 2026. A reduction in the estimated valuations of those assets would result in reductions to the 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

Item	Uncertainties	Effect if actual results differ from assumptions
	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.	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 £24.055 million during 2025/26. 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. 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, in particular taking into account inflation relating to residential properties.	The current net book value of the housing stock which is subject to potential revaluation is £1.080 billion. A reduction in the estimate value of the stock would result in a reduction to the revaluation reserve or a loss in the CIES.

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.

	2025/26				
	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	73,864	9,123	**82,987**	3,243	**86,230**
Homes & Adult Social Care	129,616	(19,887)	**109,728**	23,317	**133,045**
City Operations	31,553	5,854	**37,407**	32,436	**69,842**
Central Hub	34,103	(2,332)	**31,770**	8,124	**39,894**
Centrally Held Budgets	(12,759)	24,194	**11,435**	10	**11,445**
Housing Revenue Account	(22,051)	32,406	**10,355**	7,361	**17,716**
Net Cost of Services	**234,325**	**49,357**	**283,682**	**74,491**	**358,173**
Other Income and Expenditure/Financing	(234,325)	(44,576)	**(278,901)**	(78,691)	**(357,592)**
(Surplus)/Deficit on Provision of Services	**0**	**4,781**	**4,781**	**(4,200)**	**581**

	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**

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.

	2025/26				2024/25			
	Opening Balance	(Surplus)/Deficit on Provision of Services	Closing Balance	Memorandum: Transfer (to)/from working balances per resource management	Opening Balance	(Surplus)/Deficit on Provision of Services	Closing Balance	Memorandum: Transfer (to)/from working balances per resource management
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Working Balance	(8,251)	338	**(7,913)**	1	(8,203)	(48)	**(8,251)**	(1,092)
General Fund Earmarked Reserves	(19,786)	1,487	**(18,299)**	0	(22,954)	3,168	**(19,786)**	0
Housing Revenue Account Working Balance	(11,657)	1,819	**(9,838)**	378	(4,120)	(7,537)	**(11,657)**	0
Housing Revenue Account Earmarked Reserves	(1,187)	1,138	**(49)**	0	(7,089)	5,902	**(1,187)**	0
Total Reserves	**(40,881)**	**4,782**	**(36,099)**	**379**	**(42,366)**	**1,486**	**(40,880)**	**(1,092)**

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

	2025/26			
	Adjustments for Capital Purposes	Net Change for Pensions Adjustment	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Families, Children & Wellbeing	9,124	(5,272)	(609)	**3,243**
Homes & Adult Social Care	25,245	(1,933)	5	**23,317**
City Operations	34,770	(2,329)	(5)	**32,436**
Central Hub	9,683	(1,560)	1	**8,124**
Centrally Held Budgets	10	0	0	**10**
Housing Revenue Account	8,596	(1,151)	(84)	**7,361**
Net Cost of Services	**87,428**	**(12,245)**	**(692)**	**74,491**
Other Income and Expenditure/Financing	(74,750)	(4,819)	878	**(78,691)**
Difference between General Fund/HRA surplus/deficit and the CIES surplus/deficit on Provision of Services	**12,678**	**(17,064)**	**186**	**(4,200)**

	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**

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:

	2025/26	2024/25
	£'000	£'000
Employee expenses	348,482	344,497
Employee benefits of voluntary aided schools	37,278	37,665
Other service expenses	575,131	536,382
Depreciation, amortisation and impairments	120,653	105,597
Interest payable	20,221	16,055
De-recognition of financial asset	0	35,481
Precepts and levies	310	298
Total Expenditure	**1,102,074**	**1,075,975**
Fees, charges and other service income	(261,809)	(262,754)
Rents - investment properties	(3,161)	(3,149)
Net loss/(gain) on disposal of non-current assets	(13,647)	24,291
Interest receivable	(3,440)	(4,768)
Income from council tax/non-domestic rates	(254,473)	(235,950)
Government grants and contributions	(564,962)	(541,562)
Total Income	**(1,101,493)**	**(1,023,893)**
(Surplus)/Deficit on the Provision of Services	**581**	**52,082**

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

	2025/26	2024/25
	£'000	£'000
Families, Children & Wellbeing	(26,144)	(26,419)
Homes & Adult Social Care	(69,116)	(66,802)
City Operations	(66,618)	(71,508)
Central Hub	(14,914)	(15,639)
Centrally Held Budgets	(3,908)	(3,293)
Housing Revenue Account	(81,110)	(79,094)
Total Income from External Customers	**(261,809)**	**(262,754)**

IFRS15 Revenue from contracts with customers

Of the £261.809 million of income from fees, charges, and other service income, £100.700 million is income from contracts with customers. The balance of £161.109 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.

2025/26	General Fund	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Pension costs (transferred to/(from) the Pensions Reserve)	15,655	1,409	0	0	0	**17,064**
Financial instruments (transferred to/(from) the Financial Instruments Adjustment Account)	156	97	0	0	0	**253**
Council tax and NDR (transferred to/(from) the Collection Fund Adjustment Account)	48	0	0	0	0	**48**
Employees' paid absences (transferred to the Accumulated Absences Account)	608	(13)	0	0	0	**595**
Dedicated Schools Grant Deficits (transferred to/(from) the Dedicated Schools Grant Adjustment Account)	(1,082)	0	0	0	0	**(1,082)**
Reversals of entries included in the CIES in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(93,809)	(33,216)	6,616	(16,754)	0	**(137,163)**
Adjustments to Revenue Resources	**(78,423)**	**(31,723)**	**6,616**	**(16,754)**	**0**	**(120,285)**
Non-current asset sale proceeds	12,373	11,505	(23,878)	0	0	**0**
Statutory and voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account)	36,062	0	0	0	0	**36,062**
Capital expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	467	441	0	0	0	**908**
Gain / (loss) on lessee Leases with nil consideration	(1,076)	0	0	0	0	**(1,076)**
Adjustments between Revenue and Capital Resources	**47,827**	**11,945**	**(23,878)**	**0**	**0**	**35,894**
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	14,392	0	0	**14,392**
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	16,754	0	**16,754**
Application of capital grants to finance capital expenditure	42,219	12,675	0	0	236	**55,130**
Cash payments in relation to deferred capital receipts	(320)	0	0	0	0	**(320)**
Adjustments to Capital Resources	**41,899**	**12,675**	**14,392**	**16,754**	**236**	**85,956**
Total Adjustments	**11,303**	**(7,103)**	**(2,870)**	**0**	**236**	**1,566**

2024/25	General Fund	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total
	£'000	£'000	£'000	£'000	£'000	£'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)**
Impairment of Financial Assets	(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)	(109,367)	(28,950)	6,649	(16,268)	0	**(147,936)**
Adjustments to Revenue Resources	**(99,016)**	**(28,038)**	**6,649**	**(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 / (Loss) 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)**
Adjustments between Revenue and Capital Resources	**30,759**	**4,742**	**(5,458)**	**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 expenditure	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)**

Please note the comparative figures have been adjusted to treat the flexible use of capital receipts used to fund transformation, school's reorganisation and voluntary severance costs as revenue expenditure funded from capital under statute.

8. Usable Reserves (Earmarked Reserves)

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

	Balance 31 March 2024	Transfers To	Transfers From	Balance 31 March 2025	Transfers To	Transfers From	Balance 31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserves							
Collection Fund Section 31 Grants Adjustment reserve	(130)	(1,156)	295	(991)	0	991	0
General Risk Reserve	0	0	0	0	(3,917)	0	(3,917)
Local Management of Schools reserves	(282)	0	2,905	2,623	(342)	0	2,282
PFI reserves	(8,601)	(1,249)	178	(9,671)	(737)	2,405	(8,003)
Insurance Reserves	0	0	0	0	0	0	0
Other General Fund earmarked reserves	(5,428)	(3,255)	2,036	(6,646)	(724)	2,312	(5,058)
Revenue Grants Carry Forward reserve	(6,152)	(2,573)	6,152	(2,574)	(1,871)	2,574	(1,871)
Brighton Centre Redevelopment reserve	(5)	(0)	5	0	0	0	0
Departmental carry forwards	(1,751)	(1,709)	1,751	(1,709)	(873)	1,709	(873)
Capital reserves	(558)	(692)	559	(691)	(504)	337	(858)
Restructure reserve	(54)	(80)	8	(126)	(246)	372	0
General Fund Balance - held for specific future commitments	(2,579)	(1,761)	1,713	(411)	(1,772)	2,109	0
General Fund Balance - general reserves	(5,624)			(7,840)			(7,914)
Total General Fund Reserves	(31,164)	(12,475)	15,602	(28,036)	(10,986)	12,809	(26,212)
HRA Reserves							
Other HRA earmarked reserves	(7,089)	0	5,902	(1,187)	(1,000)	2,138	(49)
Housing Revenue Account working balance	(4,121)	0	(7,536)	(11,657)	378	1,441	(9,838)
Total HRA Reserves	(11,210)	0	(1,634)	(12,844)	(622)	3,579	(9,887)
Other Usable Reserves							
Capital Receipts reserve	(13,590)	(14,312)	15,606	(12,295)	(23,968)	21,098	(15,165)
Capital Grants Unapplied reserve	(5,280)	(3,835)	6,190	(2,925)	(497)	733	(2,689)
Total Usable Reserves	(61,243)	(30,622)	35,764	(56,100)	(36,073)	38,219	(53,953)

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 2025/26 are a net deficit of £2.281 million, an improvement of £0.342 million from the £2.623 million net deficit balance at the end of 2024/25. Final school budget plans for 2026/27 are submitted during summer term 2026 and these will incorporate final balances from 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 2025	Unspent Balance	Overspent Balance	Balance 31 March 2026
	£'000	£'000	£'000	£'000
Nursery schools	163	212	0	212
Primary schools	(2,665)	1,266	(3,167)	(1,901)
Secondary schools	(395)	2,315	(3,439)	(1,124)
Special schools	274	533	0	533
Total Reserves	(2,623)	4,325	(6,607)	(2,281)

9. Unusable Reserves

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

	2025/26	2024/25	Change
	£'000	£'000	£'000
Revaluation Reserve	(660,927)	(653,886)	(7,041)
Capital Adjustment Account	(1,111,352)	(1,116,340)	4,988
Deferred Capital Receipts Reserve	(5,761)	(6,080)	319
Pooled Investment Funds Adjustment Account	696	715	(19)
Accumulated Absences Account	4,555	5,150	(595)
Financial Instruments Adjustment Account	8,648	8,881	(233)
Collection Fund Adjustment Account	4,556	4,604	(48)
Dedicated Schools Grant Adjustment Account	1,762	680	1,082
Pensions Reserve	18,401	20,120	(1,719)
Total Unusable Reserves	**(1,739,422)**	**(1,736,155)**	**(3,267)**

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.

	2025/26	2024/25
	£'000	£'000
Balance 1 April	**(653,886)**	**(630,585)**
Upward revaluation of non-current assets	(47,581)	(95,256)
Downward revaluation and impairment of non-current assets	30,535	62,693
Other Comprehensive Income and Expenditure	**(17,046)**	**(32,563)**
Difference between fair value and historic cost depreciation	8,802	12,521
Accumulated gains on non-current assets disposals	1,202	(3,260)
Adjustments between accounting basis and funding basis under regulation	**10,004**	**9,262**
Balance 31 March	**(660,927)**	**(653,886)**

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.

	2025/26	2024/25
	£'000	£'000
Balance 1 April	**(1,116,340)**	**(1,165,264)**
Charges for depreciation of non-current assets	83,292	73,114
Revaluation losses on non-current assets	32,160	41,554
Upward revaluations reversing previous revaluation losses on non-current assets	(2,896)	(6,975)
Impairment losses on non-current assets	0	959
Amortisation of intangible assets	3,006	2,650
Revenue expenditure funded from capital under statute	14,219	13,246
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	9,983	29,704
Adjusting amounts written out to the revaluation reserve	(10,004)	(9,261)
Use of the capital receipts reserve to finance new capital investment	(14,392)	(8,124)
Use of the HRA balance to finance new capital investment	(441)	(546)
Use of the major repairs reserve to finance new capital investment	(16,754)	(16,268)
Capital grants and contributions credited to the CIES that have been applied to capital funding	(54,397)	(40,184)
Application of grants to capital financing from the capital grants unapplied account	(732)	(3,153)
Statutory provision for the financing of capital investment charged against the GF and HRA balances	(26,937)	(21,560)
Voluntary provision for the financing of capital investment charged against the GF and HRA balances	(9,125)	(8,158)
Capital investment charged against the GF and HRA balances	0	(347)
Flexible Use of Capital Receipts Reserve to fund transformation, redundancy and school re-organisation costs	(6,616)	(6,649)
Movements in the market value of investment properties debited/(credited) to the CIES	4,015	333
(Gain) / Loss on Lessee Leases with Nil Consideration	1,076	(6,038)
Loss on de-recognition of financial asset - i360	0	8,955
Transfer to Capital Receipts Reserve re assets transferred from General Fund to HRA	0	8,020
Use of earmarked reserves to finance new capital investment	(467)	(2,349)
Balance 31 March	**(1,111,352)**	**(1,116,340)**

Please note the comparative figures have been adjusted to treat the flexible use of capital receipts used to fund transformation, school's reorganisation and voluntary severance costs as revenue expenditure funded from capital under statute.

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 2026 is £5.761 million (£6.080 million at 31 March 2025).

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 2026 is £0.696 million (£0.715 million at 31 March 2025).

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 2026 is £4.555 million (£5.150 million at 31 March 2025).

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 2026 is £8.648 million (£8.881 million at 31 March 2025).

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.

	2025/26	2024/25
	£'000	£'000
Balance 1 April	**4,604**	**4,244**
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	(48)	361
Balance 31 March	**4,556**	**4,604**

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 council 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 2026 is £1.762 million (£0.680 million at 31 March 2025). 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 2026 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.

	2025/26	2024/25
	£'000	£'000
Balance as at 1 April	**20,120**	**22,864**
Remeasurements of the net defined benefit liability	15,345	9,356
Reversal of items relating to retirement benefits charged to the surplus / deficit on the provision of services	26,190	32,180
Employer's pensions contributions payable	(43,254)	(44,280)
Balance as at 31 March	**18,401**	**20,120**

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, right of use 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.

Movements on Balances

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 and right of use assets which are shown separately below).

2025/26	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 2025													
Gross carrying amount	1,050,198	751,599	43,832	3,244	25,407	4,035	**1,878,316**	286,890	49,592	0	26,365	**362,847**	**2,241,163**
Accumulated depreciation	0	(15,183)	(20,911)	0	0	(0)	**(36,095)**	0	0	0	(12,408)	**(12,408)**	**(48,503)**
Net Carrying Amount at 1 April 2025	**1,050,198**	**736,416**	**22,920**	**3,244**	**25,407**	**4,035**	**1,842,221**	**286,890**	**49,592**	**0**	**13,957**	**350,439**	**2,192,660**
Capital Additions													
Additions	81,753	22,746	5,660	73	19,122	0	**129,355**	0	460	0	3,775	**4,235**	**133,590**
Asset Disposals													
Derecognition - disposals	(5,972)	(1,115)	(228)	0	0	(2,585)	**(9,899)**	0	0	0	(4,056)	**(4,056)**	**(13,956)**
Derecognition - disposals (depreciation)	0	88	228	0	0	0	**316**	0	0	0	4,056	**4,056**	**4,372**
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	10,751	6,580	0	0	0	0	**17,330**	8,534	3	0	0	**8,537**	**25,867**
Depreciation written out	8,553	20,607	0	0	0	1	**29,161**	0	0	0	0	**0**	**29,161**
Revaluation (losses)	(25,490)	(13,549)	0	0	0	0	**(39,039)**	(20)	(8)	0	0	**(28)**	**(39,067)**
Transactions charged to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement													
Depreciation charge	(16,754)	(24,055)	(3,568)	0	0	(0)	**(44,377)**	0	0	0	(4,964)	**(4,964)**	**(49,342)**
Depreciation written out	8,201	17,804	0	0	0	0	**26,006**	0	0	0	0		**26,006**
Revaluation (losses)	(34,624)	(31,321)	0	0	0	0	**(65,945)**	0	(6,012)	0	0	**(6,012)**	**(71,957)**
Revaluation loss reversals	1,088	2,762	0	0	0	0	**3,850**	0	1,935	0	0	**1,935**	**5,784**
Impairment loss reversals	0	6,824	0	0	0	0	**6,824**	0	63	0	0	**63**	**6,887**
Other Transactions													
Assets reclassified (to) / from Assets Held for Sale, Investment Property and Heritage Assets	0	(4,519)	0	0	0	0	**(4,519)**	0	0	4,519	0	**4,519**	**0**
Assets reclassified within Property, Plant and Equipment	1,884	(6,118)	0	0	4,470	0	**235**	0	0	0	0	**0**	**235**
Net Carrying Amount at 31 March 2026	**1,079,587**	**733,151**	**25,013**	**3,317**	**48,999**	**1,450**	**1,891,518**	**295,403**	**46,033**	**4,519**	**12,768**	**358,723**	**2,250,241**
Comprising													
Gross carrying amount	1,079,587	733,600	49,264	3,317	48,999	1,450	**1,916,218**	295,403	46,033	4,519	26,084	**372,039**	**2,288,257**
Accumulated depreciation	0	(448)	(24,251)	0	0	(0)	**(24,699)**	0	0	0	(13,316)	**(13,316)**	**(38,015)**
Net Carrying Amount at 31 March 2026	**1,079,587**	**733,151**	**25,013**	**3,317**	**48,999**	**1,450**	**1,891,518**	**295,403**	**46,033**	**4,519**	**12,768**	**358,723**	**2,250,241**

2024/25	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 2024													
Gross carrying amount	1,027,651	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	(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	13,596	0	0	0	0	**13,596**	0	0	0	0	**0**	**13,596**
Net Carrying Amount at 1 April 2024	**1,027,651**	**775,047**	**18,994**	**3,242**	**19,690**	**3,975**	**1,848,600**	**259,536**	**49,796**	**340**	**11,061**	**320,733**	**2,169,333**
Capital Additions													
Additions	66,630	26,886	7,757	2	6,372	0	**107,647**	0	682	0	5,944	**6,626**	**114,273**
Asset Disposals													
Derecognition - disposals	(1,563)	(28,393)	(383)	0	0	0	**(30,339)**	0	(553)	(340)	0	**(893)**	**(31,232)**
Derecognition - disposals (depreciation)	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													
Revaluation increases	14,289	37,479	0	0	0	0	**51,768**	28,277	0	0	0	**28,277**	**80,045**
Depreciation written out	0	15,211	0	0	0	0	**15,211**	0	0	0	0	**0**	**15,211**
Revaluation (losses)	(22,687)	(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)	(25,802)	(3,831)	0	0	0	**(45,901)**	0	0	0	(3,047)	**(3,047)**	**(48,948)**
Depreciation written out	0	24,345	0	0	0	0	**24,345**	0	0	0	0	**0**	**24,345**
Revaluation (losses)	(27,920)	(37,979)	0	0	0	0	**(65,899)**	0	(1,378)	0	0	**(1,378)**	**(67,277)**
Revaluation loss reversals	2,894	3,381	0	0	0	60	**6,335**	0	968	0	0	**968**	**7,303**
Impairment (losses)	(803)	0	0	0	0	0	**(803)**	0	0	0	0	**0**	**(803)**
Impairment loss reversals	0	640	0	0	0	0	**640**	0	77	0	0	**77**	**717**
Other Transactions													
Assets reclassified within Property, Plant and Equipment	7,975	(16,304)	0	0	(655)	0	**(8,984)**	0	0	0	0	**0**	**(8,984)**
Net Carrying Amount at 31 March 2025	**1,050,198**	**736,416**	**22,920**	**3,244**	**25,407**	**4,035**	**1,842,221**	**286,890**	**49,592**	**0**	**13,957**	**350,439**	**2,192,660**
Comprising													
Gross carrying amount	1,050,198	751,599	43,832	3,244	25,407	4,035	**1,878,315**	286,890	49,592	0	26,365	**362,847**	**2,241,162**
Accumulated depreciation	0	(15,183)	(20,911)	0	0	0	**(36,094)**	0	0	0	(12,408)	**(12,408)**	**(48,502)**
Net Carrying Amount at 31 March 2025	**1,050,198**	**736,416**	**22,920**	**3,244**	**25,407**	**4,035**	**1,842,221**	**286,890**	**49,592**	**0**	**13,957**	**350,439**	**2,192,660**

Note: ROU assets has been removed from the comparative figures and have instead been included in the Right of Use assets table 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 2026	31 March 2025
	£'000	£'000
Opening net book value as at 1 April	144,891	137,709
Additions	28,992	19,810
Depreciation charge	(13,667)	(12,628)
Assets reclassified within property, plant and equipment	(150)	0
Closing Net Book Value as at 31 March	**160,066**	**144,891**

Right of Use Assets

The non-current assets leased in by the council were 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 table set out the reconciliation of Total Property, Plant & Equipment:

	31 March 2026	31 March 2025
	£'000	£'000
Closing value of property, plant and equipment (excluding infrastructure and right of use assets)	1,891,518	1,842,221
Closing value of infrastructure assets	160,066	144,891
Closing value of right of use assets	37,134	35,686
Total closing Net Book Value of Property, Plant and Equipment as at 31 March	**2,088,719**	**2,022,798**

The comparative figures have been amended to include the Right of Use assets as they have been removed from the table on page 30.

Heritage Assets

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

	2025/26	2024/25
	£'000	£'000
Royal Pavilion	6,425	10,199
Collections	1,432	15,940
Rare Books	247	0
Volks Railway	407	2,137
West Blatchington Windmill	22	(785)
Rottingdean Windmill	(20)	(138)
Revaluation Increases/(Losses)	**8,514**	**27,354**
Royal Pavilion	220,607	214,181
Collections	58,870	57,438
Rare Books	8,560	8,313
Volks Railway	6,295	5,888
West Blatchington Windmill	682	660
Rottingdean Windmill	390	410
Carrying Amount as at 31 March	**295,404**	**286,889**

Revaluations

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. The council has moved to revalue its assets every five years, with annual indexation applied to assets during the four intervening years. Where the council cannot obtain indices without undue cost or effort, the council re-values those assets using a quinquennial revaluation, with a desktop revaluation in year three.

The council ensures that all property, plant and equipment to be measured at current value is subject to one of the following processes:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the four intervening years.

Where land and building assets are revalued, their valuations are based upon valuation reports issued by valuers appointed by the council. The valuations are 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:
Stiles Harold Williams Partnership LLP, Knight Frank. Savills UK Ltd and Montagu Evans.
The valuation of the council's council dwellings is carried out annually by Savills UK Ltd.

The significant assumptions applied in estimating the current values of property, plant and equipment are:

	Average Change	Gross Valuation Change
	%	£'000
RICS BCIS All-in TPI Index	2.24%	10,047
RICS BCIS - Outdoor sports hub	14.02%	22
RICS BCIS - Public toilets	1.06%	45
RICS BCIS - Railway lineside buildings	4.61%	51
RICS BCIS - Cafes, snack bars, coffee bars, milk bars	6.22%	35
Farms Index - average price change in acres (Knight Frank & Carter Jonas)	-5.00%	(3,185)
Land Registry UK House Price Index	0.82%	90
MSCI UK Capital Growth Index - Leisure	1.46%	3
MSCI UK Capital Growth Index - Retail	1.00%	27
MSCI UK Capital Growth Index - Industrial	4.00%	21
MSCI UK Capital Growth Index - Offices	-2.33%	(299)
MSCI UK Capital Growth Index - Other	1.06%	200
MSCI Commerial Property Index - Retail	1.60%	702
MSCI Commerial Property Index - Industrial	2.70%	437
MSCI Commerial Property Index Office	-2.50%	(65)
Total indexation applied in 2025/26		**8,133**

The following table shows the valuation split of non-current assets.

	Council Dwellings	Right of Use Assets	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Heritage Assets	Investment Property	Assets Held for Sale	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost		56,500	0	49,264	3,317	48,999					26,084	**184,165**
Valued at insurance value (annually)								295,403				**295,403**
Valued at fair value:												
2025/26	1,079,587	2,189	30,099				1,432		46,033	4,519		**1,163,860**
2024/25			86,767									**86,767**
2023/24			19,865									**19,865**
2022/23			18,817									**18,817**
2021/22			7,381									**7,381**
2020/21			523									**523**
Before 2018/19			384									**384**
Indexation applied to valuations		11,944	570,669				18					**582,630**
Variance between GL and asset system			(907)									**(907)**
Gross carrying amount	**1,079,587**	**70,633**	**733,599**	**49,264**	**3,317**	**48,999**	**1,450**	**295,403**	**46,033**	**4,519**	**26,084**	**2,358,889**
Accumulated	0	(33,498)	(448)	(24,251)	0	0	(0)	0	0	0	(13,316)	**(71,514)**
Net carrying amount	**1,079,587**	**37,134**	**733,151**	**25,013**	**3,317**	**48,999**	**1,450**	**295,403**	**46,033**	**4,519**	**12,768**	**2,287,376**

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. Investment Property valuations are carried out by Stiles Harold Williams Partnership LLP, an independent property managing company contracted by the council. 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 2026 £'000	Valuation techniques used to measure fair value	Unobservable Inputs	Range of unobservable inputs
Urban Commercial	46,031	Yield Methodology	Rental Values	Retail: £107.64 psm to £1,173 psm (ITZA)
				Office: £148.86 psm to £269.10 psm
				Industrial/Workshop: £78.04 psm to £107.64 psm
				Car park: N/A
				Garden Centre: N/A
				Public House: £207.21 psm to £233.68 psm
			Capitalisation rate	Retail: 6.5% (Ground Rent) to 11.5%
				Office: 7.5% to 10%
				Industrial/Workshop: 4.25% (ground rent) to 11%
				Car Park: N/A
				Garden Centre N/A
				Public House: 6.5% (Ground Rent) to 9%

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

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.

Depreciation and Useful Lives

Assets of the same type generally have the same life but there are exceptions for specific assets. The following useful lives and depreciation rates have been used in the calculation of depreciation:

- 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 2026 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.

Contractual Commitments

At 31 March 2026, the council had entered into the following contractual commitments in respect of non-current assets (31 March 2025 £53.102 million).

Scheme Name	Description	£'000
Housing stock programme		7,695
Other Land and Buildings		
Adult Social Care	Knoll House building works, Relocation of Independence at Home and Telecare	128
Education and Learning	Works at various schools	1,351
Place	Various regeneration projects across Brighton & Hove	6,341
Finance and Property	Works on various council properties	685
City Infrastructure	Brighton Marina to River Adur coastal works, Seafront Heritage Lighting scheme and Various highways schemes	6,123
Environmental Services	Public Conveniences	38
Environment and Culture	Works on Royal Pavallion Estate, Brighton Museum, various Leisure facilities, Parks and Open Spaces investment	1,575
Housing People Services	Travellers Site, LDV Seaside Homes investment	9
Family Help and Protection	Rainbow Lodge project - building works	14
Vehicles, Plant, Furniture and Equipment		
Adult Social Care	Better Care Fund - equipment for disabled	84
Education and Learning	Furniture and equipment at various schools	1
Finance and Property	Workspace Innovation, Water Efficiency Fund project	16
City Infrastructure	Bus service improvement project, Seafront Lighting renewal programme, EV charging schemes, Other Transport schemes	1,338
Environmental Services	Various vehicle costs, new recycling bins and equipment, Weekly Food collections	2,250
Environment and Culture	Brighton Centre equipment, Open Spaces investment	8
Homes & Investment	Housing Needs IT	59
Intangible Fixed Assets		
City Infrastructure	Bus service improvement project, Citywide Strategic Transport Model	318
Digital Innovation	Customer Digital Programme, Laptop Refresh implementation and Wide Area Network costs	612
Grand Total		**28,646**

Investment Property Income and Expenses

The council lets properties in its investment portfolio at the full market rent. The council received £3.161 million of net income from investment properties in 2025/26 (£3.149 million 2024/25).

11. Capital Investment and Capital Financing

The council made £169.227 million of capital investments in 2025/26. 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 2025/26, £ 81.874 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.

	2025/26	2024/25
	£'000	£'000
Opening Capital Financing Requirement	**606,352**	**509,732**
Adjustment to opening balance for right of use assets	0	45,939
Restated Opening Financing Requirement	**606,352**	**555,671**
Property, plant and equipment (incl. right of use assets)	183,558	137,986
Intangible assets	3,775	5,944
Investment property	460	682
Revenue expenditure funded from capital under statute	14,219	13,246
Long term investments (which are part of the capital programme)	1,547	440
Capital Investment	**203,559**	**158,298**
Capital receipts	(21,008)	(14,773)
Capital grants and contributions	(55,130)	(43,337)
Major repairs reserve (Housing Revenue Account)	(16,754)	(16,268)
Reserves	(467)	(2,349)
Revenue contributions	(441)	(893)
Schools funding adjustment	(169)	(278)
Capital Financing (excluding borrowing)	**(93,969)**	**(77,898)**
Repayment of loans (Minimum Revenue Provision)	(36,062)	(29,719)
Closing Capital Financing Requirement	**679,880**	**606,352**
Explanation of movements in capital financing requirement		
Increase in underlying need to borrow (unsupported by government)	109,590	126,339
Repayment of loans (Minimum Revenue Provision)	(36,062)	(29,719)
Increase / (Decrease) in Capital Financing Requirement	**73,528**	**96,621**

Please note the comparative figures have been adjusted to treat the flexible use of capital receipts used to fund transformation, school's reorganisation and voluntary severance costs as revenue expenditure funded from capital under statute.

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 2025. The following table shows the amount set aside from revenue to repay debt.

	2025/26	2024/25
	£'000	£'000
Supported debt (debt where the Government provides revenue support)	2,328	2,328
Unsupported debt (debt where no Government support is received)	9,125	8,158
Right of use assets	18,949	14,188
Charge equal to write down on PFI liabilities	5,660	5,045
Total Amount Set Aside from Revenue	**36,062**	**29,719**

12. Financial Instruments

	31 March 2026			31 March 2025		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Financial Assets	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss						
Investments	38	0	38	38	0	38
Cash Equivalents	0	28,831	28,831	0	21,060	21,060
Amortised Cost						
Investments	6,987	0	6,987	5,440	0	5,440
Cash and Cash Equivalents	111	13,203	13,314	111	6,498	6,610
Debtors	13,177	48,024	61,201	14,131	41,953	56,084
Total Financial Assets	**20,312**	**90,058**	**110,370**	**19,720**	**69,511**	**89,232**
Not Financial Assets	0	43,263	43,263	0	37,508	37,508
Total Assets	**20,312**	**133,321**	**153,633**	**19,720**	**107,020**	**126,740**

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

	31 March 2026			31 March 2025		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Financial Liabilities	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss						
Borrowing	(436,103)	(89,924)	(526,027)	(383,577)	(40,450)	(424,027)
Creditors	(42,694)	(65,434)	(108,128)	(44,426)	(67,095)	(111,521)
Total Financial Liabilities	**(478,798)**	**(155,358)**	**(634,156)**	**(428,002)**	**(107,545)**	**(535,548)**
Not Financial Liabilities	0	(85,042)	(85,042)	0	(75,789)	(75,789)
Total Liabilities	**(478,798)**	**(240,400)**	**(719,198)**	**(428,002)**	**(183,334)**	**(611,336)**

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.**

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

	2025/26		2024/25	
	Surplus / Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	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	(19)	0	(90)	0
Financial assets measure at fair value through profit or loss - dividends	(2,132)	0	(2,193)	0
Total net (gains)/losses	**(2,151)**	**0**	**(2,283)**	**0**
Financial assets measured at amortised cost - interest revenue	(382)	0	(1,175)	0
Financial liabilities measured at amortised cost - interest expenses	14,344	0	11,146	0

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

The financial assets classified at fair value through profit or loss at 31 March 2026 was £35.813 million (£21.098 million at 31 March 2025).

Financial Assets - Fair value through profit or loss	Input level in the fair value hierarchy	Valuation Technique used to measure Fair Value	31 March 2026	31 March 2025
			£'000	£'000
Money Market Funds (Low Volatility Net Asset Value Funds)	Level 1	Unadjusted quoted prices in active markets for	26,471	11,776
Pooled Funds (Variable Net Asset Value funds)	Level 1	Unadjusted quoted prices in active markets for	9,304	9,285
Municipal Bonds Agency Shareholding	Level 3		38	38

There were no financial liabilities designated at fair value through profit or loss.

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 2026		31 March 2025	
	Carrying Amount	Fair value	Carrying Amount	Fair value
	£'000	£'000	£'000	£'000
Long term investments	7,025	5,092	5,478	5,608
Long term debtors	13,177	13,177	14,131	14,131
Total Financial Assets	**20,201**	**18,269**	**19,609**	**19,740**

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

	31 March 2026		31 March 2025	
	Carrying Amount	Fair value	Carrying Amount	Fair value
	£'000	£'000	£'000	£'000
Long term borrowing	(436,103)	(367,705)	(383,577)	(270,879)
Total Financial Liabilities	**(436,103)**	**(367,705)**	**(383,577)**	**(270,879)**

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

Recurring fair value measurements using:	31 March 2026			
	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	5,092	0	5,092
Long Term Debtors	0	13,177	0	13,177
Financial Assets	**0**	**18,269**	**0**	**18,269**
Long term borrowing	0	(367,705)	0	(367,705)
Financial Liabilities	**0**	**(367,705)**	**0**	**(367,705)**

Recurring fair value measurements using:	31 March 2025			
	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)**

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 2026 for loans receivable is 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 2026 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 2025/26 was approved by Budget Council in February 2025 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 2026 that this was likely to occur.

Amounts arising from Expected Credit Losses (ECL)

The council has provision for bad debt across all services of £55.948 million at 31 March 2026 (£55.340 million short term and £0.608 million long term). Please see also Note 13 Debtors.

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 2026	31 March 2025
	£'000	£'000
Less than one year	60,233	44,979
Between one and two years	13,177	14,131
Between two and five years	6,987	5,440
Between five and ten years	38	38
Total Financial Assets	**80,434**	**64,588**

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 2026	31 March 2025
	£'000	£'000
Less than one year	(137,612)	(91,743)
Between one and two years	(65,220)	(46,459)
Between two and five years	(78,983)	(36,675)
More than five years	(336,060)	(346,589)
Total Financial Liabilities	**(617,875)**	**(521,466)**

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.

	31 March 2026	31 March 2025
	£'000	£'000
Increase in interest payable on variable rate borrowings	30	45
Increase in interest receivable on variable rate investments	(550)	(590)
Impact on Comprehensive Income and Expenditure	**(520)**	**(545)**

Price risk

The council has a total of £26.471 million invested in money market funds as at 31 March 2026 (£11.776 million as at 31 March 2025). 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 2026	31 March 2025
	£'000	£'000
Debtor system control *	22,322	22,244
Local taxation	23,038	12,094
HRA and temporary accommodation	12,591	9,770
HMRC	7,712	8,047
Payments in advance	4,000	4,006
Parking	4,641	965
Other	16,982	22,334
Total Short Term Debtors	**91,287**	**79,461**

Note: * The debtor system control includes all debts raised on the council's corporate debtor's system; this will include ASC debt, debts raised to individuals and debts raised to entities.

£48.024 million (£41.953 million at 31 March 2025) of the total of short-term debtors are classified as financial instruments at 31 March 2026 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 2026	31 March 2025
	£'000	£'000
Finance leases	5,452	5,772
Brighton Dome & Festival Limited	3,117	3,117
Royal Pavilion & Museums Trust	2,867	2,867
Other long term debtors	1,741	2,377
Total Long Term Debtors	**13,177**	**14,131**

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

14. Creditors

	31 March 2026	31 March 2025
	£'000	£'000
Receipts in advance	(21,407)	(20,675)
Lessee lease liability	(17,648)	(13,477)
Creditors control account *	(16,280)	(15,793)
HMRC	(7,107)	(6,103)
Pensions	(6,941)	(6,636)
PFI liability	(6,076)	(5,409)
C2C Local Enterprise Partnership (LEP)	(316)	(5,131)
Local taxation	0	(463)
Other **	(49,154)	(51,302)
Total Short Term Creditors	**(124,929)**	**(124,989)**

Notes:
* The creditor system control includes all payments to be made on the council's corporate debtor's system; this will include payments to individuals and payments to entities.
** The main items included within Other are creditor accruals (both revenue and capital) and deposits.

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.

£65.434 million (£67.095 million at 31 March 2025) of short-term creditors are classed as financial instruments at 31 March 2026 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 2025	Additional Provisions Made	Amounts Used	Unused Amounts Reversed	Balance 31 March 2026
	£'000	£'000	£'000	£'000	£'000
Other provisions	(806)	(875)	1,247	(392)	(826)
Short Term Provisions	**(806)**	**(875)**	**1,247**	**(392)**	**(826)**
Voluntary severance scheme provision	(1,346)	(1,480)	897	0	(1,929)
Insurance provision	(4,021)	0	81	0	(3,940)
Business rates appeals provision	(1,467)	(2,494)	1,467	0	(2,494)
Other provisions	(188)	(349)	165	(82)	(454)
Long Term Provisions	**(7,021)**	**(4,323)**	**2,610**	**(82)**	**(8,817)**
Total Provisions	**(7,827)**	**(5,198)**	**3,857**	**(474)**	**(9,643)**

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 2026/27. 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 2026, 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

	2025/26	2024/25
	£'000	£'000
Ministry of Housing, Communities and Local Government	(46,543)	(49,709)
Department for Environment, Food & Rural Affairs	(5,573)	(469)
Department of Health & Social Care	(4,408)	(3,430)
Department for Work and Pensions	(1,030)	(1,038)
Department for Education	0	(120)
Revenue Government Grants credited to Taxation and Non-Specific Grant Income	**(57,554)**	**(54,766)**
Ring Fenced Revenue Government Grants credited to Cost of Services		
Department for Education	(261,471)	(240,508)
Department for Work and Pensions	(87,470)	(109,790)
Department of Health & Social Care	(33,919)	(35,591)
Ministry of Housing, Communities and Local Government	(56,083)	(47,989)
Department for Transport	(10,655)	(9,310)
Home Office	(1,142)	(1,092)
Department for Culture, Media and Sport	(1,126)	(269)
Department for Environment, Food & Rural Affairs	(145)	(74)
Department for Business, Energy & Industrial Strategy	0	(5)
Other government departments	(1,052)	(1,646)
Ring Fenced Revenue Government Grants credited to Cost of Services	**(453,063)**	**(446,274)**
Total Government Revenue Grants	**(510,617)**	**(501,041)**

Please note the comparative figures for the Improved Better Care Fund and Social Care Grant within Ministry of Housing, Communities and Local Government have been reclassified from revenue government grants credited to taxation and non-specific grant income to ring fenced revenue government grants credited to cost of services. Please see note 31 for more detail.

Non-Government Revenue Grants and Contributions

	2025/26	2024/25
	£'000	£'000
Contributions from health	(30,380)	(28,484)
Other contributions, donations and sponsorship	(3,807)	(1,822)
Contributions from other local authorities	(2,887)	(2,638)
Contributions from other agencies and external bodies	(2,002)	(2,299)
Contributions from developers and stakeholders	(720)	(669)
Non-government grants	(656)	(777)
Total Non-Government Revenue Grants and Contributions credited to Cost of Services	**(40,453)**	**(36,690)**

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).

	2025/26	2024/25
	£’000	£’000
Department for Works and Pensions	(9,444)	0
Department for Transport	(4,088)	(8,116)
Ministry of Housing, Communities and Local Government	(5,044)	(2,175)
Department for Education	(2,420)	(2,340)
Home Office	(1,555)	(650)
Contributions from developers	(1,518)	(1,710)
Department of Health and Social Care	(544)	(1,153)
Department for Environment, Food & Rural Affairs	(217)	(39)
Department for Digital, Culture, Media & Sport	0	(1,026)
Other	(717)	(686)
Total Revenue Grants and Contributions Receipts in Advance	**(25,547)**	**(17,895)**

The prior year comparative figures have been restated to show the amount received from Department of Environment, Food & Rural Affairs which was previously allocated to Other.

Capital Grants and Contributions

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

	2025/26	2024/25
	£’000	£’000
Department for Transport	(13,734)	(11,440)
Homes England	(9,120)	(929)
Other contributions	(6,118)	(2,666)
Department for Education	(5,911)	(9,851)
Environment Agency	(4,158)	(748)
Ministry of Housing, Communities and Local Government	(4,032)	(5,939)
Contributions from developers and stakeholders	(2,580)	(5,362)
Department for Environment, Food and Rural Affairs	(2,283)	0
Heritage Lottery Fund	(300)	(311)
Other government departments	(240)	(774)
Capital Grants and Contributions credited to Taxation and Non-Specific Grant Income	**(48,475)**	**(38,021)**
Department for Transport	(3,318)	(51)
Department of Health & Social Care	(2,088)	(2,321)
Department for Education	(457)	(129)
Other contributions	(318)	0
Ministry of Housing, Communities and Local Government	(8)	0
Capital Grants and Contributions credited to Cost of Services	**(6,188)**	**(2,501)**
Total Capital Grants and Contributions	**(54,663)**	**(40,522)**

Note: The prior year comparative figures for Homes England and Environment Agency have been taken out of the Department for Environment, Food and Rural Affairs and Ministry of Housing, Communities and Local Government figures.

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).

	2025/26	2024/25
	£’000	£’000
Department for Education	(21,770)	(21,635)
Department for Transport	(17,210)	(18,770)
Contributions from developers and stakeholders	(14,394)	(14,728)
Ministry of Housing, Communities and Local Government	(2,785)	(6,367)
Department of Health and Social Care	(1,806)	(822)
Department of Environment, Food and Rural Affairs	(190)	(2,473)
Homes England	0	(1,094)
Other contributions	(3,205)	(3,332)
Total Capital Grants and Contributions Receipts in Advance	**(61,360)**	**(69,221)**

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 £1.762 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 2028.

2025/26	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2025/26 before academy and high needs recoupment			(263,115)
Less academy and high needs figure recouped for 2025/26			30,768
Total DSG after Academy and High Needs Recoupment for 2025/26			**(232,347)**
Agreed Initial Budgeted Distribution in 2025/26	**(41,065)**	**(191,282)**	**(232,347)**
In-year budget adjustments	0	392	392
Final Budget Distribution for 2025/26	**(41,065)**	**(190,891)**	**(231,955)**
Less actual central expenditure	42,762		42,762
Less actual ISB deployed to schools		190,276	190,276
Carry-forward to 2026/27	**1,697**	**(615)**	**1,082**
DSG unusable reserve at the end of 2024/25			680
Addition to DSG unusable reserve at the end of 2025/26			1,082
Total of DSG Unusable Reserve at the end of 2025/26			**1,762**
Net DSG position at the end of 2025/26			**1,762**

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

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:

	Land & Buildings	Vehicles, Plant & Equipment	Total
	£'000	£'000	£'000
Balance as at 1 April 2025	**34,148**	**1,538**	**35,686**
Additions	19,678	964	**20,642**
Revaluations	456	0	**456**
Depreciation written out on revaluation	622	0	**622**
Depreciation and amortisation	(20,325)	(1,439)	**(21,764)**
Disposals	(306)	(94)	**(400)**
Transfer of assets to other land and buildings	(1,154)	0	**(1,154)**
Other adjustments	2,952	94	**3,046**
Balance as at 31 March 2026	**36,071**	**1,063**	**37,134**

	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 of assets from other land and buildings (finance leases already in 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:

	2025/26	2024/25
	£'000	£'000
Comprehensive income and expenditure statement		
Interest expense on lease liabilities	2,341	1,785
Expense relating to short-term leases	0	495
Expense relating to exempt leases of low-value items	0	364
(Gain) / Loss on non commercial lessee leases	(622)	(6,038)
Cash flow statement		
Minimum lease payments	18,949	14,188

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 2026	31 March 2025
	£'000	£'000
Less than one year	17,648	13,477
One to five years	7,194	6,113
More than five years	2,085	1,074
Total undiscounted liabilities	**26,927**	**20,665**

The weighted average of the incremental borrowing rates used to discount liabilities was 5.12%.

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:

	2025/26	2024/25
	£'000	£'000
Finance Leases		
Finance income on the net investment in the lease	(432)	(457)
Income relating to variable lease payments not included in the measurement of the net investment in the lease	(1,552)	(1,609)
Operating Leases		
Total lease income	(9,585)	(8,262)

Net investment in finance leases

	31 March 2026	31 March 2025
	£'000	£'000
Net Investment at 1 April	**40,596**	**42,425**
Payments by lessees	(113)	(457)
Leases terminated	(1,425)	0
Adjustment re incorrect calculation of the net investment	0	(1,372)
Net Investment at 31 March	**39,057**	**40,596**
Not later than one year	432	457
Later than one year and not later than five years	2,161	2,287
Later than five years	36,464	37,852
Net Investment at 31 March	**39,057**	**40,596**

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)

	Finance Leases		Operating Leases	
	31 March 2026	31 March 2025	31 March 2026	31 March 2025
	£'000	£'000	£'000	£'000
Less than one year	10	11	9,007	8,827
Later than one year and not later than five years	70	68	25,538	26,384
Later than five years	5,994	5,999	99,249	99,938
Total undiscounted receivables	**6,075**	**6,077**	**133,794**	**135,149**

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:

	31 March 2026	31 March 2025
	£'000	£'000
Total undiscounted lease receivables	6,075	6,077
Unearned finance income	32,983	34,519
Net investment in leases	**39,057**	**40,596**

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 applied 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 for 2025/26 has been to increase balance sheet assets by £2.504 million, with an equal increase in finance lease liabilities.

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 2025/26.

Liabilities - PFI Contracts

	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
	£'000	£'000	£'000	£'000
At 1 April 2025	**4,522**	**35,173**	**2,952**	**42,647**
Remeasurement of liability under IFRS 16	0	2,504	0	**2,504**
Lease repayment	(1,365)	(3,779)	(517)	**(5,661)**
At 31 March 2026	**3,157**	**33,898**	**2,435**	**39,490**

	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**

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.

2025/26	Repayment of Liability	Interest Costs	Payment For Services	Total
	£'000	£'000	£'000	£'000
Within 1 year	1,502	264	2,185	**3,951**
Within 2 to 5 years	1,654	138	2,235	**4,027**
Total Payments Due - Schools	**3,156**	**402**	**4,420**	**7,978**
Within 1 year	4,016	1,866	10,659	**16,541**
Within 2 to 5 years	18,715	5,123	48,734	**72,572**
Within 6 to 10 years	11,167	937	27,508	**39,612**
Total Payments Due - Waste	**33,898**	**7,926**	**86,901**	**128,725**
Within 1 year	557	191	2,304	**3,052**
Within 2 to 5 years	1,879	299	7,447	**9,625**
Total Payments Due - Library	**2,436**	**490**	**9,751**	**12,677**
Within 1 year	6,075	2,321	15,148	**23,544**
Within 2 to 5 years	22,248	5,560	58,416	**86,224**
Within 6 to 10 years	11,167	937	27,508	**39,612**
Total Payments Due - All	**39,490**	**8,818**	**101,072**	**149,380**

2024/25	Repayment of Liability	Interest Costs	Payment For Services	Total
	£'000	£'000	£'000	£'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**

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 £103.476 million at end March 2026 (£101.044 million March 2025).

2025/26	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
	£'000	£'000	£'000	£'000
Balance as at 1 April 2025				
Gross carrying amount	51,443	36,064	13,653	**101,160**
Accumulated depreciation	(59)	(57)	0	**(116)**
Restatement of asset under IFRS 16	0	2,504	0	**2,504**
Net Carrying Amount at 1 April 2025	**51,384**	**38,511**	**13,653**	**103,548**
Additions	401	2	0	**403**
Derecognition - disposals	0	0	0	**0**
Derecognition - disposals (depreciation)	1,567	1,013	469	**3,049**
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve				
Revaluation increases	695	0	300	**995**
Revaluation losses	(132)	(562)	0	**(694)**
Transactions charged to the surplus / deficit on the provision of services in the CIES				
Depreciation charge	(1,538)	(957)	(469)	**(2,964)**
Revaluation (losses)	0	(762)	0	**(762)**
Reversal of previous revaluation losses	199	(299)	0	**(100)**
Net Carrying Amount at 31 March 2026	**52,576**	**36,946**	**13,953**	**103,475**
Gross carrying amount	52,606	36,946	13,953	**103,505**
Accumulated depreciation	(30)	0	0	**(30)**
Net Carrying Amount at 31 March 2026	**52,576**	**36,946**	**13,953**	**103,475**

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	249	57	0	**306**
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				
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	**51,383**	**36,008**	**13,653**	**101,044**
Gross carrying amount	51,443	36,064	13,653	**101,160**
Accumulated depreciation	(59)	(57)	0	**(116)**
Net Carrying Amount at 31 March 2025	**51,384**	**36,007**	**13,653**	**101,044**

The comparative figures for additions have been restated due to double counting of the restatement under IFRS 16 which was included in both the restatement of asset under IFRS 16 line and the additions line.

19. Contingent Assets and Contingent Liabilities

Contingent Assets

There is a bond to cover failure to complete works valued at £1.100 million relating to the collapse of a business who was working with the Council. Payment is being pursued by the council however there is a dispute as to the timing of the payment.

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. A contingent liability in respect of equal pay claims is included separately below.

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.

HRA Housing Stock – Electrical Installation

There is the need to update and modernise electrical installation in certain parts of the HRA housing stock. Liability may be shared and as of yet it is not quantifiable.

Hove Station Footbridge Maintenance/Replacement Liability

An agreement dated 28 September 1889 outlines the responsibilities for ownership and maintenance of the footbridge. 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.

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.

The council's Cabinet agreed in 2025/26 to demolish and rebuild the LPS blocks and undertake a programme of decanting to manage the risk.

Equal Pay Claims

The council has received 1,063 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 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 three 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.

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 2025/26 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 2025/26, the council paid levies of £0.249 million (£0.242 million 2024/25) 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 2025/26 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 2025/26, the council provided Chief Finance Officer (S151), financial and other services to the South Downs National Park Authority (SDNPA) on a contractual basis. During 2025/26, the council received £0.342 million (£0.323 million 2024/25) in respect of these services. The council also had short-term borrowing with the SDNPA of £2.606 million at 31 March 2026 (£0.907 million short-term investment at 31 March 2025) 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. A £0.125m increase of the loan, on the same terms, was approved at Cabinet on 12 February 2026. The loan increase is expected to happen during 2026/27

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 has drawn down £3 million of a £4 million loan facility agreement with the council during 2021/22 and 2024/25.

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 2025/26 amounted to £0.487 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 2025/26 centred starting on site at the Sackville Trading Estate site, where 306 homes are being delivered, in addition to identifying new sites for development. This business case approved in June 2024 set out the council's financial liabilities form the General Fund and HRA. During the year the council provided £1.544m in loan funding taking the total loan outstanding to £1.984 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, Horsham District Council, Elmbridge Borough Council, East Sussex Fire & Rescue Authority and Surrey Police. 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 2025/26 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. The decision to cease the arrangement for IT&D, Procurement and Internal Audit was taken by the board, with the changes coming into effect during 2026/27.

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.

	Note	2025/26			
		Salary (including Fees & Allowances)	Compensation for Loss of Office	Pension Contributions	Total Remuneration including Pension Contributions
Chief Executive - Jessica Gibbons		£200,982	£0	£39,794	**£240,776**
Corporate Director Homes & Adult Social Care - Genette Laws		£164,000	£0	£32,472	**£196,472**
Corporate Director Families, Children & Wellbeing - Deb Austin		£155,357	£0	£30,761	**£186,118**
Interim Corporate Director City Operations	1	£132,719	£0	£26,278	**£158,998**
Corporate Director City Operations	2	£9,176	£0	£1,817	**£10,993**
Director - Governance and Law		£134,289	£0	£26,589	**£160,878**
Interim Director - Property and Finance (S151)	3	£225,380	£0	£0	**£225,380**
Director - Property and Finance (S151)	4	£26,190	£0	£5,186	**£31,376**
Interim Director - People and Innovation		£126,145	£0	£24,977	**£151,121**
	Total	**£1,174,239**	**£0**	**£187,874**	**£1,362,113**

Notes

1. The Interim Corporate Director of City Operations was in post from 1 April 2025 to 8 March 2026.
2. The Corporate Director of City Operations was appointed on 9 March 2026.
3. The Interim Director of Property and Finance (S151) was in post from 1 April 2025 to 28 February 2026, with the role covered on a consultancy basis.
4. The Director of Property and Finance (S151) was appointed on 2 February 2026.

No expense allowances were paid in either 2025/26 or 2024/25.

	2024/25			
	Salary (including Fees & Allowances)	Compensation for Loss of Office	Pension Contributions	Total Remuneration including Pension Contributions
Chief Executive - Jessica Gibbons	£213,935	£0	£38,561	**£252,495**
Corporate Director Families, Children & Learning	£109,147	£0	£21,356	**£130,502**
Corporate Director Families, Children & Wellbeing	£35,952	£0	£7,119	**£43,071**
Corporate Director Economy, Environment & Culture	£126,725	£142,388	£23,426	**£292,538**
Interim Corporate Director City Operations	£18,778	£0	£3,718	**£22,496**
Acting Executive Director Health & Adult Social Care	£94,003	£0	£18,613	**£112,616**
Acting Executive Director Housing, Neighbourhoods & Communities	£73,114	£0	£14,477	**£87,590**
Corporate Director Housing, Care & Wellbeing	£27,333	£0	£5,412	**£32,745**
Corporate Director Homes & Adult Social Care	£41,000	£0	£8,118	**£49,118**
Corporate Director Corporate Services and Monitoring Officer	£105,374	£0	£12,440	**£117,814**
Acting Corporate Director Corporate Services	£89,383	£0	£17,698	**£107,081**
Chief Finance Officer	£87,723	£0	£17,200	**£104,922**
Director - Property and Finance (S151)	£29,812	£0	£5,903	**£35,715**
Director of Human Resources & Organisational Development	£83,367	£0	£16,507	**£99,874**
Interim Director - People and Innovation	£19,656	£0	£3,892	**£23,548**
Director - Governance and Law	£30,000	£0	£5,940	**£35,940**
Total	**£1,185,301**	**£142,388**	**£220,377**	**£1,548,066**

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).

Remuneration Band	2025/26 Number of Employees	2024/25 Number of Employees
£50,000 - £54,999	433	345
£55,000 - £59,999	218	194
£60,000 - £64,999	169	146
£65,000 - £69,999	65	78
£70,000 - £74,999	59	53
£75,000 - £79,999	37	24
£80,000 - £84,999	15	11
£85,000 - £89,999	12	14
£90,000 - £94,999	2	10
£95,000 - £99,999	10	7
£100,000 - £104,999	5	7
£105,000 - £109,999	1	5
£110,000 - £114,999	4	0
£115,000 - £119,999	2	3
£120,000 - £124,999	2	4
£125,000 - £129,999	5	1
£130,000 - £134,999	1	2
£135,000 - £139,999	0	1
£140,000 - £144,999	0	0
£145,000 - £149,999	0	3
£150,000 - £154,999	0	1
£155,000 - £159,999	0	1
TOTAL	1,040	910

22. Members' allowances and expenses

In 2025/26 the council paid £1.188 million (£1.017 million 2024/25) of allowances to members. There was £0.001 million of expenses for travel/subsistence on approved duties outside the Brighton and Hove City area claimed by members during 2025/26 (£0.002 million 2024/25). In 2025/26 members contributed £0.008 million towards travel and parking costs (£0.009 million 2024/25). Full details of allowances and expenses paid in 2025/26 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 2025/26 at a cost of £1.699 million (2024/25 £4.696 million). This includes £1.578 million for exit packages and £0.121 million for associated costs.

The council had a provision of £1.929 million at 31 March 2026 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	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	0	0	32	71	32	71	319	542
£20,001 - £40,000	0	0	19	15	19	15	510	415
£40,001 - £60,000	0	0	6	10	6	10	268	502
£60,001 - £80,000	0	0	1	6	1	6	72	426
£80,001 - £100,000	0	0	2	2	2	2	181	174
£100,001 - £150,000	0	0	1	4	1	4	141	522
£150,001 - £200,000	0	0	0	2	0	2	0	326
£200,001 - £250,000	0	0	1	2	1	2	207	442
£250,001 - £300,000	0	0	0	1	0	1	0	291
£300,001 - £400,000	0	0	0	3	0	3	0	1,057
Total	**0**	**0**	**62**	**116**	**62**	**116**	**1,699**	**4,696**

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 2025/26 the council paid £20.456 million (2024/25 £20.688 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 2025/26 the council paid £0.039 million (2024/25 £0.037 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:

	2025/26	2024/25
	£'000	£'000
Comprehensive Income & Expenditure Statement (CIES)		
Cost of Services		
Service Cost Comprising:		
Current service cost	27,218	33,264
Administrative expenses	1,405	1,259
Past service costs	378	990
Financing and Investment Income and Expenditure		
Net interest expense	(2,811)	(3,333)
Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services	**26,190**	**32,180**
Other Post Employment Benefits charged to the CIES		
Remeasurement of the Net Defined Benefit Liability comprising:		
Return on scheme assets	(10,467)	50,169
Other actuarial gains/(losses)	(20,633)	0
Change in demographic assumptions	4,420	(3,109)
Change in financial assumptions	(49,239)	(179,981)
Experience adjustments	68,058	(3,598)
Impact of asset ceiling	23,095	146,801
Remeasurement of the Net Assets / (Defined Benefit Liability) before adjustment	**15,234**	**10,282**
Adjustment re remeasurements of the pension scheme	111	(926)
Post Employment Benefits charged to Other Income and Expenditure in the CIES	**15,345**	**9,356**
Other Amounts charged against the General Fund for Pensions in the Reporting Period		
Employers Contributions	(41,189)	(42,123)
Past Service Costs / Non Funded Pensions	(2,064)	(2,157)
Other amounts charged against the General Fund for pensions in the reporting period	**(43,254)**	**(44,280)**
Net Adjustment to the Pension Reserve (balance sheet)	**(1,719)**	**(2,744)**
Movement in Reserves Statement		
Reversal of IAS 19 charges made to the surplus / deficit for the provision of services for post employment benefits	26,190	32,180

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	2025/26	2024/25
	£'000	£'000
Present value of the scheme liabilities	(1,195,351)	(1,124,101)
Fair value of scheme assets	1,618,203	1,499,360
Net Asset / (Liability) (unadjusted)	**422,852**	**375,259**
Asset ceiling adjustment for economic benefit	441,253	395,379
Net Asset / (Liability)	**(18,401)**	**(20,120)**

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.

	2025/26	2024/25
	£'000	£'000
Opening Defined Benefit Obligation	**(1,124,101)**	**(1,253,851)**
Current service cost	(27,003)	(33,303)
Interest cost	(60,892)	(60,745)
Change in financial assumptions	49,239	179,981
Change in demographic assumptions	(4,420)	3,109
Experience gain / (loss) on defined benefit obligations	(68,058)	3,598
Liabilities assumed / (extinguished) on settlements	996	2,152
Estimated benefits paid net of transfers in	50,216	46,744
Past service costs including curtailments	(378)	(990)
Contributions by scheme participants and other employers	(13,086)	(13,046)
Unfunded pension costs	2,136	2,250
Closing Defined Benefit Obligation	**(1,195,351)**	**(1,124,101)**

Pension Scheme Assets

	2025/26	2024/25
	£'000	£'000
Opening Fair Value of Fund Assets	**1,499,360**	**1,467,298**
Interest on assets	86,482	76,345
Return on assets less interest	10,467	(50,169)
Other actuarial gains/(losses)	20,633	0
Administration expenses	(1,405)	(1,259)
Contribution by employer including unfunded	43,143	45,206
Contributions by scheme participants and other employers	13,086	13,046
Estimated benefits paid plus unfunded net of transfers in	(52,352)	(48,994)
Settlement prices received / (paid)	(1,211)	(2,113)
Closing Fair Value of Fund Assets	**1,618,203**	**1,499,360**

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 2026 is a net asset of £441.253 million (net asset of £375.259 million at 31 March 2025) 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:

	2025/26	2024/25
	£'000	£'000
Opening impact of asset ceiling	395,379	236,311
Interest on impact of asset ceiling	22,779	12,267
Actuarial losses / (gains)	23,095	146,801
Closing Impact of Asset Ceiling	**441,253**	**395,379**

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.

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 2026	
	Quoted	Unquoted
Index linked government securities - UK	0%	9%
Index linked government securities - overseas	0%	0%
Corporate bonds - UK	0%	0%
Corporate bonds - overseas	0%	9%
Equities - UK	0%	0%
Equities - Overseas	8%	33%
Property	0%	6%
Absolute return portfolio	0%	17%
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 2025. 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 2026.

	31 March 2026	31 March 2025
Assumed life expectation at 65 retiring today - men	22.0	20.9
Assumed life expectation at 65 retiring today - women	24.2	23.9
Assumed life expectation at 65 retiring in 20 years - men	23.5	21.9
Assumed life expectation at 65 retiring in 20 years - women	25.9	25.4
Discount/return on assets rate	6.15%	5.80%
Pension increases	2.90%	2.90%
RPI inflation	3.30%	3.20%
Salary increases	3.90%	2.90%

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	1,114,387	1,178,390	1,195,351	1,212,721	1,286,543
Projected service cost	22,525	25,798	26,680	27,590	31,528
Adjustment to long term salary increase	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,199,012	1,196,076	1,195,351	1,194,630	1,191,782
Projected service cost	26,680	26,680	26,680	26,680	26,680
Adjustment to pension increases and deferred revaluation	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,281,965	1,213,058	1,195,351	1,181,086	1,121,631
Projected service cost	31,904	27,660	26,680	25,731	22,213
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**		
Present value of total obligation	1,234,992	1,195,351	1,157,176		
Projected service cost	27,531	26,680	25,847		

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 2025 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 2026 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 2025 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 2027

The following table is the projected amount to be charged to the CIES for the financial year to 31 March 2027 and the expected employer contributions in 2026/27:

	31 March 2027
	£'000
Service cost	26,680
Net interest on the defined liability / (asset)	152
Administration expenses	1,428
Total loss/(profit)	**28,260**
Employer contributions	**30,208**

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2026.

26. External Audit Costs

The council incurred the following costs in relation to the audit of the financial statements and the certification of grant claims and returns.

	2025/26	2024/25
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year.	463	450
Additional fee relating to the previous year's audit	0	52
Fees payable for certification of Housing Benefit Subsidy	36	34
Additional fee relating to the prior year's Housing Benefit Subsidy audit	0	3
Fee payable for certification of Teachers Pension return	9	13
Total External Audit Costs	**508**	**552**

The prior year comparative figures have been updated to reflect the actual costs.

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 £1.765 million (£1.178 million 2024/25) for council tax income collected as an agent which has been overpaid to the two preceptors at end March 2026.

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 debtor of £2.629 million (creditor of £0.463 million 2024/25) 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 2026.

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 2025/26, 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 Sussex Integrated Care Board (ICB) (from 1 April 2013), the Sussex Community Trust (SCT) and the Sussex Partnership Foundation Trust (SPFT). The ICB 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 2025/26 is £35.372 million (2024/25 £31.563 million) including ICB 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 £24.424 million in 2025/26 (£22.204 million 2024/25)

	2025/26	2024/25
	£'000	£'000
Sussex Partnership Foundation Trust	664	676
Brighton & Hove City Council	24,424	22,204
Sussex Integrated Care Board	10,284	8,683
Total Section 75 Contributions	**35,372**	**31,563**

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 Sussex Integrated Care Board (ICB) establish a pooled fund for this purpose. The ICB 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 ICB 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 2025/26 was £38.942 million (2024/25 £37.838 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 £13.144 million in 2025/26 (£12.470m 2024/25).

	2025/26	2024/25
	£'000	£'000
Brighton & Hove City Council	(13,144)	(12,470)
Sussex Integrated Care Board	(25,798)	(25,368)
Total Better Care Fund	**(38,942)**	**(37,838)**

2025/26	ICB £'000	Council £'000	Total £'000
Income and Expenditure			
Contribution to the Pooled Budget - Cash or Kind	(25,798)	(13,144)	(38,942)
Net Expenditure from the Pooled Budget	14,929	24,106	39,035
Surplus/(Deficit) to be shared across parties to the pooled budget			**93**
Balance Sheet			
Contribution to the pooled budget	(25,798)	(13,144)	(38,942)
Total Spend	**(25,798)**	**(13,144)**	**(38,942)**
Cash	25,791	13,244	39,035
Debtors	(40)	(168)	(208)
Creditors	168	40	208
Cumulative Surplus/Deficit	**121**	**(28)**	**93**

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 2025/26 was £12.721 million (2024/25 was £12.678 million). The funding included: Surrey County Council £6.138 million (2024/25 £6.263 million), East Sussex County Council £4.963 million (2024/25 £4.739 million) and Brighton and Hove City Council £1.620 million (2024/25 £1.677 million). The expenditure met from the pooled budget in 2025/26 was £12.721 million (2024/25 £12.678 million) resulting in a net surplus / deficit on the pooled budget of £nil in both 2025/26 and 2024/25.

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 2025	Expenditure	Income	Balance 31 March 2026
£'000		£'000	£'000	£'000	£'000
1,862	Brighton Fund	**(215)**	44	(68)	**(239)**
5,697	Gorham's Gift	**23**	146	(100)	**69**
1,009	Hedgcock Bequest	**(140)**	35	(46)	**(150)**
0	Music Trust	**7**	15	(28)	**(6)**
258	Various library and museum bequests	**(258)**	1	(19)	**(276)**
8,826	**Total Trust Fund Accounts**	**(583)**	**241**	**(261)**	**(602)**

The capital market value shows the valuation of Charities Official Investment Fund shares and other investments at the mid-market prices at 31 March 2026. 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 established by a wealthy landowner to support the maintenance of the village of Telscombe and the surrounding area. The revenue balance at 1 April 2025 has been restated to align with the Trust's published 2024/25 financial statements, following late notification of expenditure incurred during that financial year.

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. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2025/26	2024/25
	£'000	£'000
Bank current accounts	330	(2,063)
Short term deposits	41,815	27,670
Cash and Cash Equivalents as at 31 March	**42,145**	**25,608**

31. Prior Period Adjustment

The council has made an adjustment in the financial statements in respect of the classification of the Improved Better Care Fund (£11.7 million) and Social Care Grant (£27.6 million) (31 March 2025 Improved Better Care Fund (£9.5 million) and Social Care Grant (£23.5 million)). Both grants were incorrectly presented as non-ringfenced despite being subject to specific conditions and restrictions on their use. The council has reclassified the grants as ringfenced. The misstatement affects presentation only and has no impact on the total grant income reported within the Comprehensive Income and Expenditure Statement (CIES).

Effect on the CIES for the year ended 31 March 2026

	Originally Stated		Adjustment		Restated	
Year Ended 31 March 2026	Gross Income	Net Expenditure	Gross Income	Net Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Families, Children & Wellbeing	(321,337)	**93,802**	(7,572)	**(7,572)**	(328,909)	**86,230**
Homes & Adult Social Care	(93,270)	**164,724**	(31,679)	**(31,679)**	(124,949)	**133,045**
Cost of Services	**(681,313)**	**397,424**	**(39,251)**	**(39,251)**	**(720,564)**	**358,173**
Non ring-fenced government grants		**(96,805)**		**39,251**		**(57,554)**
Taxation and Non-Specific Grant Income and Expenditure		**(398,676)**		**39,251**		**(359,425)**
(Surplus)/Deficit on the Provision of Services		**581**		**0**		**581**

Effect on the CIES for the year ended 31 March 2025 (restated)

	Originally Stated		Adjustment		Restated	
Year Ended 31 March 2025	Gross Income	Net Expenditure	Gross Income	Net Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Families, Children & Wellbeing	(300,497)	94,293	(6,460)	(6,460)	(306,957)	87,833
Homes & Adult Social Care	(88,914)	149,398	(26,534)	(26,534)	(115,448)	122,864
Cost of Services	**(679,093)**	**380,996**	**(32,994)**	**(32,994)**	**(712,087)**	**348,002**
Non ring-fenced government grants		**(87,760)**		**32,994**		**(54,766)**
Taxation and Non-Specific Grant Income and Expenditure		**(367,769)**		**32,994**		**(334,775)**
(Surplus)/Deficit on the Provision of Services		**52,082**		**0**		**52,082**

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 2026	Year ending 31 March 2025
	£'000	£'000
Expenditure		
Repairs and maintenance	18,144	15,865
Supervision and management	34,644	31,881
Rents, rates, taxes and other charges	2,293	2,271
Non-current asset charges	43,984	43,633
Debt management costs	101	73
Movement in allowance for bad debts	0	533
Total Expenditure	**99,166**	**94,254**
Income		
Dwelling rents	(71,000)	(69,003)
Non-dwelling rents	(1,826)	(1,886)
Charges for services and facilities	(8,203)	(7,734)
Other income	(694)	(876)
Total Income	**(81,723)**	**(79,498)**
Net (Income)/Expenditure	**17,443**	**14,756**
Share of corporate and democratic core	273	266
Net (Income)/Expenditure included in CIES	**17,716**	**15,022**
Gain on disposal of non-current assets	(5,623)	(1,550)
Changes in the fair value of investment properties	0	(2)
Investment property income	(18)	(31)
Interest payable	9,396	5,955
Interest receivable	1,522	2,566
Capital grants and contributions	(12,675)	(4,456)
Net interest on the net defined benefit liability	(258)	(270)
Non ringfenced government grants	(1)	(28)
Share of Operating Income and Expenditure	**(7,656)**	**2,184**
(Surplus)/Deficit on the Provision of Services	**10,060**	**17,206**

Movement on the HRA statement

	31 March 2026	31 March 2025
	£'000	£'000
Balance on the HRA at the end of the previous year	**12,844**	**11,209**
Surplus/(deficit) for the year per income and expenditure statement	(10,060)	(17,206)
Adjustments between accounting basis and funding basis under statute	7,103	18,840
Net increase/(decrease) before direct transfers between earmarked reserves and HRA balance	**(2,957)**	**1,635**
Direct transfers between earmarked reserves and HRA balance	0	0
Total increase/(decrease) in year	**(2,957)**	**1,634**
Balance on the HRA at the end of the year	**9,887**	**12,844**
Working balance	9,838	11,657
Earmarked reserves	49	1,187
Total HRA Reserves	**9,887**	**12,844**

Please note the comparative figures have been updated due to a representation of this disclosure note.

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 2026	31 March 2025
	£'000	£'000
Council dwellings	1,079,587	1,050,198
Other land and buildings	18,238	18,058
Assets under construction	29,699	19,985
Investment properties	280	285
Intangible assets	1,200	2,104
Vehicles, plant and equipment	78	288
Infrastructure assets	53	56
Total	**1,129,136**	**1,090,974**

The prior year comparatives have been adjusted to include infrastructure assets.

The vacant possession value of HRA tenanted dwellings is £3,271 million at 31 March 2026 (£3,182 million at 31 March 2025). 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 2025/26 (£nil million 2024/25).

2. HRA in-year depreciation

	31 March 2026	31 March 2025
	£'000	£'000
Council dwellings	16,754	16,268
Other land and buildings	321	297
Intangible assets	1,296	803
Vehicles, plant and equipment	276	277
Infrastructure assets	3	3
Total	**18,650**	**17,648**

The prior year comparatives have been adjusted to include infrastructure assets.

3. HRA Rent Arrears and Bad Debt Provision

At 31 March 2026, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £6.167 million (£5.438 million 31 March 2025). This represents an increase in arrears as a proportion of gross rental income from 7.77% to 8.58%. The provision for bad debts is detailed in the below table:

	2025/26	2024/25
	£'000	£'000
Impairment 1 April	**3,587**	**3,083**
Change in impairment charged to the HRA	0	534
Rent arrears and other bad debts written off	(128)	(30)
Impairment 31 March	**3,459**	**3,587**

The 2024/25 comparative figure for rent arrears and other bad debts written off has been restated due to the figure being shown as a positive rather than a negative figure.

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

	31 March 2026	31 March 2025
	£'000	£'000
Less than 3 months	337	177
Between 3 and 6 months	289	430
Between 6 and 12 months	542	402
More than 12 months	3,744	3,711
Total	**4,912**	**4,720**

4. HRA Stock/Dwellings

The council managed 12,251 dwellings at the end March 2026 (12,181 end March 2025).

2025/26	0 Bed	1 Bed	2 Bed	3 Bed	4+ Bed	Total
	No.	No.	No.	No.	No.	No.
Bedsits	567	28	0	0	0	595
Bungalows	24	172	28	24	2	250
Flats	15	3,735	3,128	267	1	7,146
Houses	0	19	1,399	2,358	303	4,079
Maisonettes	0	5	105	65	6	181
Total Dwellings	**606**	**3,959**	**4,660**	**2,714**	**312**	**12,251**

2024/25	0 Bed	1 Bed	2 Bed	3 Bed	4+ Bed	Total
	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**

This movement in council dwellings is as follows:

	2025/26	2024/25
	No.	No.
Stock 1 April 2025	**12,181**	**12,039**
Sales	(69)	(19)
Conversions/new homes	139	161
Stock 31 March 2026	**12,251**	**12,181**

5. HRA Capital Investment and Financing

The council made £92.644 million of capital investment in the Housing Revenue Account (HRA) in 2025/26. The following table sets out the resources that have been used to finance that investment.

	2025/26	2024/25
	£'000	£'000
Total Capital Investment	**92,644**	**70,954**
Major Repairs Reserve	(16,754)	(16,268)
Reserves	(631)	(1,828)
Capital receipts	(12,492)	(4,595)
Capital grants and contributions	(11,468)	(5,090)
HRA Borrowing Requirement	(51,299)	(43,173)
Total Funding	**(92,644)**	**(70,954)**

6. Housing Capital Receipts

Receipts from the sale of HRA assets in 2025/26.

	2025/26	2024/25
	£'000	£'000
Right to buy sales of houses and flats	11,569	2,950
Sale of land and other property	25	163
Total	**11,594**	**3,113**

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 2025				Year Ended 31 March 2026		
Council Tax	Non Domestic Rates	Total		Council Tax	Non Domestic Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
(219,417)		**(219,417)**	Council tax	(235,658)		**(235,658)**
	(106,934)	**(106,934)**	Non-domestic rates		(126,983)	**(126,983)**
(219,417)	**(106,934)**	**(326,351)**		**(235,658)**	**(126,983)**	**(362,641)**
	(1,713)	**(1,713)**	Transitional protection payments non-domestic rates		0	**0**
			Contributions towards previous year's Collection Fund deficit			
0	(1,853)	**(1,853)**	Central Government	0	(1,607)	**(1,607)**
(1,174)	(1,816)	**(2,989)**	Brighton & Hove City Council	(2,204)	(1,575)	**(3,779)**
(149)	0	**(149)**	Sussex Police & Crime Commissioner	(282)	0	**(282)**
(65)	(37)	**(102)**	East Sussex Fire Authority	(120)	(32)	**(152)**
(1,388)	**(3,705)**	**(5,093)**	**Contributions towards previous year's Collection Fund deficit**	**(2,606)**	**(3,214)**	**(5,820)**
(220,805)	**(112,352)**	**(333,157)**	**Total amount required by statute to be credited to the Collection Fund**	**(238,264)**	**(130,196)**	**(368,461)**
			Precepts and demands from major preceptors and the council - council tax			
185,148		**185,148**	Brighton & Hove City Council	197,684		**197,684**
23,666		**23,666**	Sussex Police & Crime Commissioner	25,399		**25,399**
10,058		**10,058**	East Sussex Fire Authority	10,705		**10,705**
218,872		**218,872**		**233,788**		**233,788**
			Shares of non-domestic rates income to major preceptors and the council			
	54,152	**54,152**	Brighton & Hove City Council		60,519	**60,519**
	1,105	**1,105**	East Sussex Fire Authority		1,235	**1,235**
	55,257	**55,257**			**61,754**	**61,754**
	55,257	**55,257**	Payment with respect to central share (including allowable deductions) of the non-domestic rates income to be paid to central government		61,754	**61,754**
	0	0	Transitional protection payments non-domestic rates		1,300	**1,300**
			Impairment of debts / appeals for council tax			
8		**8**	Write off of uncollectable amounts	107		**107**
2,864		**2,864**	Allowance for impairment	4,333		**4,333**
2,873		**2,873**		**4,441**		**4,441**
			Impairment of debts / appeals for non-domestic rates			
	293	**293**	Write off of uncollectable amounts		292	**292**
	468	**468**	Allowance for impairment		2,525	**2,525**
	761	**761**			**2,817**	**2,817**
	(250)	**(250)**	Movement in the provision for business rates appeals		2,097	**2,097**
	439	**439**	Charge to General Fund for allowable collection fund costs for non-domestic rates		439	**439**
	189	**189**			**2,536**	**2,536**
221,745	**111,465**	**333,210**	**Total amount required by statute to be debited to the Collection Fund**	**238,229**	**130,162**	**368,390**
939	**(887)**	**53**	**Movement on the Collection Fund Balance**	**(36)**	**(35)**	**(70)**
1,536	**6,011**	**7,546**	**Opening Collection Fund Balance**	**2,475**	**5,124**	**7,599**
2,475	**5,124**	**7,599**	**Closing Collection Fund Balance**	**2,439**	**5,089**	**7,529**

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*	19	16.00	5/9	8.90
Band A	26,938	18,461.75	6/9	12,307.80
Band B	29,122	22,584.25	7/9	17,565.50
Band C	32,550	27,556.00	8/9	24,494.20
Band D	19,447	17,634.50	9/9	17,634.50
Band E	11,424	10,688.25	11/9	13,063.40
Band F	4,728	4,478.00	13/9	6,468.20
Band G	2,761	2,661.25	15/9	4,435.40
Band H	200	193.50	18/9	387.00
				96,364.90
Less provision for losses on collection				(1,204.60)
Tax Base for 2025/26				**95,160.30**
Tax Base for 2024/25				**93,574.40**

* Entitled to disabled relief reduction.

The estimated gross council tax yield (before the provision for losses in collection) for 2025/26 of £236.747 million was based on Band D equivalent dwellings of 96364.9 multiplied by the average Band D council tax charge £2,456.78. The actual gross council tax yield for 2025/26 was £237.478 million is equivalent to an increase of 297 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 £2.439 million mainly related to a shortfall in council tax income collection of £2.183 million 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 2026 was £318.539 million (£317.690 million at 31 March 2025). The non-domestic multiplier for 2025/26 was 55.5p 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).

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. The council has moved to revalue its assets every five years, with annual indexation applied to assets during the four intervening years. Where the council cannot obtain indices without undue cost or effort, the council re-values those assets using a quinquennial revaluation, with a desktop revaluation in year three.

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).

The council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term

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

Indexation is the process local authorities use to adjust the carrying value of Property, Plant, and Equipment (PPE) to reflect current market and construction cost changes between full professional valuations. It ensures the value of an asset is kept materially up to date for movements in variables, eg build costs.

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



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Brighton & Hove City Council

A copy of this document can be found on the council's website: www.brighton-hove.gov.uk/accounts

FINANCE
Brighton & Hove City Council
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Hove
BN3 4AH

Grant Thornton UK LLP
8 Finsbury Circus
London

EC2M 7EA

Date: 24 November 2026

Our Ref: GT BHCC 2025/26

Contact: Elizabeth Griffiths

e-mail: Elizabeth.griffiths@brighton-hove.gov.uk

Dear Grant Thornton UK LLP

Brighton and Hove City Council
Financial Statements for the year ended 31 March 2026

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 2026 for the purpose of expressing an opinion as to whether the Authority 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 2025/26 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 2025/26 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. 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.

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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include Land and Building revaluations, Investment property revaluations, Valuation of pension fund net liability (surplus asset), 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.

vi. 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.

vii. 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.

viii. 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.

ix. 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.

x. 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. The financial statements are free of material misstatements, including omissions.

xi. 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 1,063 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 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 three 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.

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

xiii. The prior period adjustments disclosed in Note 31 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xiv. 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.

xv. 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.

xvi. 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

xvii. 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;

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

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

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

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

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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.

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

Annual Governance Statement

xxvi. 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

xxvii. 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 24 November 2026

Yours faithfully

Name……

Position…….

Date…….

Name…….

Position…….

Date…….

Signed on behalf of the Authority

Brighton & Hove City Council

Audit, Standards and General Purposes Committee

Agenda Item 37

Subject: **Internal Audit and Counter Fraud Quarter 1 Progress Report 2026/27**

Date of meeting: **24th November 2026**

Report of: **Director of Property and Finance (S151)**

Contact Officer: **Carolyn Sheehan (Audit Manager)**
Email: carolyn.sheehan@brighton-hove.gov.uk

Mark Winton (Acting Chief Internal Auditor)
Email: mark.winton@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 1 (2026/27), 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 2026/27 report which was approved by the Audit, Standards and General Purposes Committee on 21st April 2026.

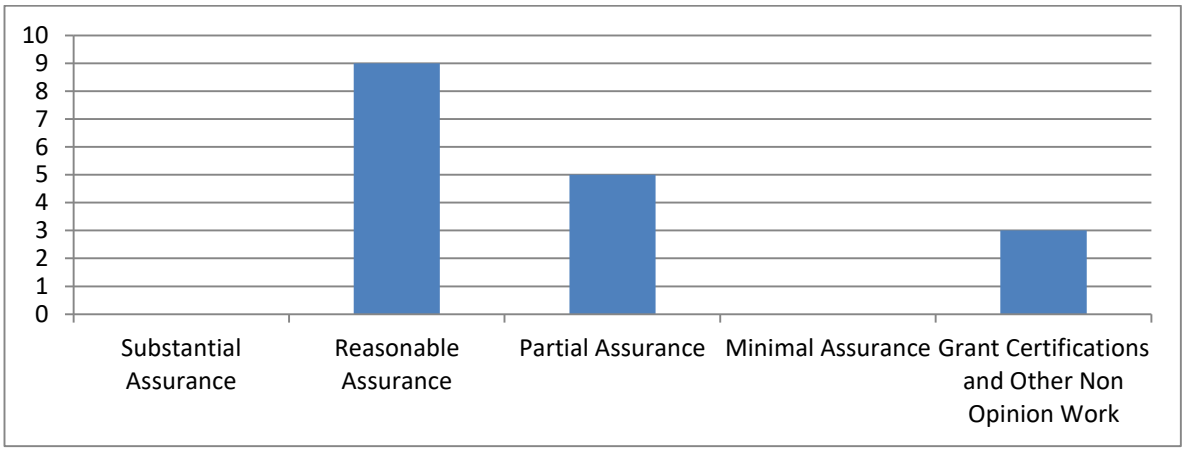
4. Analysis and consideration of alternative options

4.1 Full details of both the internal audit and counter fraud work delivered during quarter 1 are detailed in Appendix 1, together with our progress against our performance targets.

4.2 Following on from the 2025/26 annual audit opinion of Partial Assurance, we continue to take the opportunity to discuss current and emerging audit opinions with senior management. We are committed to working closely with management to help support the necessary improvement.

4.3 The audit reports finalised in quarter 1 are summarised in the chart below, with nine reasonable assurance and five partial assurance opinions. This

includes the review of six schools. In addition, there were two non-opinion reports and one grant, which have been included under the category “Grant Certifications and Non-Opinion work.”



4.4 Section 5 of the attached report, Appendix 1, shows the performance of the service in quarter 1. Delivery of the audit plan is showing as green with 27.1% of the audit plan delivered against a target of 21.25% Although the figures look very positive, they are boosted by the amount of work carried over from the 2025/26 audit plan that has been completed in quarter 1. Following the change in partnership arrangements, the service is stabilizing and is carrying several vacancies that present resource challenges which could impact annual performance.

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 included extensive engagement with officers.

6. Financial implications

6.1 It is expected that the Internal Audit Annual Plan 2026/27 will be delivered within existing budgetary resources. Progress against the plan and action taken in line with actions supports 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: Haley Woollard
Date consulted: 09/09/2026

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 07/09/2026

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. Conclusion

11.1 The Committee is asked to note the report.

Supporting Documentation

Appendices

1. Internal Audit and Counter Fraud Quarter 1 Progress Report 2026/27

APPENDIX 1

Internal Audit and Counter Fraud Quarter 1 Progress Report 2026/27

CONTENTS

1. Summary of Completed Audits
2. Counter Fraud and Investigations
3. Action Tracking
4. Amendments to the Audit Plan
5. Performance

Brighton & Hove City Council

1. Summary of Completed Audits

Implementation of Procurement Regulations

1.1. As a result of UK's exit from the EU, the Procurement Act 2023 was introduced to establish a new public procurement regime with further detail provided by the Procurement Regulations 2024. The new Regulations came into force on 24 February 2025 and apply to all procurements initiated after that date.

1.2. The Procurement Act was designed to:

- Provide greater freedom and flexibility to design procurement processes that meet the Council's needs and drive innovation;
- Open public procurement to small businesses and social enterprises so that they can compete for more contracts;
- Embed transparency right through the contract lifecycle;
- Improve access to procurement data to see how public money is spent; and
- Allow a stronger exclusions framework that make it easier to exclude suppliers that present unacceptable risks.

1.3. The objective of this audit sought to provide assurance that:

- The Council has processes to ensure it complies with its corporate requirements in relation to the new Procurement Regulations;
- New Regulations are communicated and embedded across the Council; and
- Procuring officers clearly understand the requirements and responsibilities of the new Regulations.

1.4. Our work focused on the activities undertaken by the Procurement Team to introduce the requirements of the new Regulations, embed them into their professional practice, and communicate the changes. It did not cover compliance with the new Procurement Regulations. This will be covered elsewhere in other audit assignments that involve a review of procurement and contract management practices.

1.5. The Procurement Team were previously in a shared partnership under Orbis with East Sussex County Council and Surrey County Council. This audit did not seek to review the new arrangements or the capacity of the team to fully support the Council's procurement and contract management activity.

1.6. We provided an opinion of **Reasonable Assurance** as the Procurement Team had undertaken relevant training in line with the requirements of the regulations. Knowledge of the Regulations then fed into an update of the Council's Contract Standing Orders and associated guidance. Our view is that the Procurement Team had successfully promoted the regulations as we found the majority of procuring managers were aware of the new Regulations.

1.7. We have, however, identified areas for improvement in relation to:

- Monitoring of non-compliant spend and;
- Update of procurement intranet pages to fully reflect the new regulations.

1.8. Actions to address these areas have been agreed with management within a formal management action plan.

Budget Management Corporate Process

1.9. Budget Management and control processes are key to ensuring that the Council has efficient mechanisms to manage its funds effectively, allocate and deliver services, monitor performance, and align financial resources to the Council's priorities. Key elements include budget setting, in-year monitoring, forecasting, and reporting. In recent years, the budget management process has involved the identification and reporting of savings. Additional controls around expenditure and recruitment have also been introduced to curb spending.

1.10. This audit reviewed the processes for the 2025-26 financial year. For 2025/26 the Council has a gross revenue expenditure budget of £962.1m, with approximately £16m of savings to deliver. Operational reserves were low in comparison to similar councils, and the Medium-Term Financial Strategy included a commitment to increase reserves to improve resilience.

1.11. The aim of this audit was to provide a review of the Council's corporate budget management arrangements and processes, including that:

- The Council meets its statutory requirements in relation to revenue budget management;
- Governance arrangements are clear and understood by those involved in the budgetary process;
- Adequate revenue budget planning and forecasting leads to the delivery of the Council's strategic objectives including statutory services;
- The budget approved is accurately reflected in the accounting system;
- Management information at both Directorate and team levels is adequate allowing delivery of effective revenue budget management, including meeting savings targets; and
- Expenditure controls are clearly considered and communicated at both Directorate and team levels, and there are high levels of compliance that result in meeting the set objectives.

1.12. We provided an opinion of **Reasonable Assurance** as we found that there is a corporate process in place that supports budget setting and responsible budget management.

1.13. The Council has a documented budget setting process and timetable in place outlining roles and responsibilities to facilitate development of a budget for the coming year, and an updated Medium Term Financial Strategy, both of which are formally approved by Cabinet.

Once the budget is approved, controls are in place to ensure this (including any savings targets) is correctly reflected in the general ledger, including reconciliation with block allocations.

1.14. Budget holders generally demonstrated understanding of their responsibilities, particularly the corporate requirement to review monthly Target Budget Management reports, which were found to be updated with comments and explanations of variances within the Financial Reporting SharePoint site. Budget holders engage positively with Finance Contacts and acknowledged their valuable support, with regular meetings held to review the reports, discuss variances, and escalate issues if needed. Finance contacts showed knowledge of the budgets in their remit and were able to demonstrate challenge of figures as required to help support accurate forecasting.

1.15. Directorate Leadership Teams and the Corporate Leadership Team remain apprised of the budgetary position via monthly summaries. Additionally, Finance staff attend Directorate Leadership Team meetings to provide updates and answer queries, with strong engagement from senior leadership noted.

1.16. We are aware that work is currently underway to improve oversight at Corporate Leadership Team and the level of compliance with the Council's expenditure controls. Whilst budget holders showed awareness of these, and mechanisms in place to limit inappropriate spend, the planned Spending Control Reporting pack will serve to enhance corporate monitoring of compliance.

1.17. We identified some areas where controls could be strengthened, and actions were agreed with management to:

- Review and refresh budget management guidance, with a focus on a "One Council" approach;
- Review and update the provision of budget management training to both officers and Members;
- Recirculate information relating to the recording and authorisation of virements; and
- Ensure lists of budget holders and finance contacts remain up to date.

1.18. Actions to address these areas have been agreed with management within a formal management action plan.

Parking Services – Cultural Compliance

1.19. Parking Services provide access and safety benefits for pedestrians, cyclists, motorists, and the wider community with regards to parking, traffic control, and concessionary travel.

1.20. This audit was included within the Internal Audit Plan to assess wider cultural and corporate compliance arrangements, thereby providing assurance that the identified risks are being effectively mitigated.

1.21. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Management has appropriate arrangements for monitoring delivery of the service and assessing its performance and effectiveness;
- All key activities undertaken by the team are conducted in accordance with relevant legislation and the Council's policies and procedures;
- Robust management arrangements are in place, and all members of staff receive appropriate management and supervision; and
- Expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process.

1.22. We provided an opinion of **Reasonable Assurance** and found compliance with corporate policies, staff had been reminded of their obligations in relation to these and more generally the Code of Conduct.

1.23. Whilst the audit identified areas of good practice, improvements were identified in relation to:

- The frequency and documentation of staff one-to-one meetings, including the discussion of objectives, performance, development needs, and wellbeing.
- The completion and recording of return-to-work discussions following staff absence.
- Compliance with the Council's Contract Standing Orders, including the establishment of formal supplier contracts and effective contract management arrangements.
- The completion, review, and management of annual declarations of interest, including the documentation of mitigating actions where conflicts are identified.

1.24. Appropriate actions have been agreed with management in relation to all findings in the report.

Add Your Own Device

1.25. This is a service that allows employees to use their personal devices to access work related apps and services, allowing the organisation to save on costs and reduce the number of devices they need to source and support on an ongoing basis. Using application management tools such as Microsoft Intune, staff can easily access managed services without a great deal of additional configuration. It provides employees with the flexibility to use devices they already own and are familiar with, which can improve operational efficiency. However, such initiatives can also present a wide array of risks that can have serious implications if realised.

1.26. The objective of this audit was to review risks against the operational benefits that a policy such as Use Your Own Phone (the local term for Add Your Own Device) can bring, as well as ensuring effective policies and guidance are in place. We reviewed whether controls are in place to meet the following objectives:

- Clear guidance is available to employees, highlighting the benefits of the initiative and

reassuring that personal device data remains inaccessible by the organisation;
- A robust policy is in place that explicitly states the responsibilities of employees around personal device usage;
- Effective and clearly documented configuration documentation ensures that all devices have the appropriate security and privacy risks addressed to allow effective personal device usage; and
- Stringent requirements are in place to ensure that only supported devices are enrolled in any personal device policies.

1.27. We provided an opinion of **Reasonable Assurance** over the arrangements in place to manage the risks associated with staff using their own personal devices. We found clear policies and guidance is in place with staff having to enrol and ensure they meet the eligibility criteria, including owning a device that meets the necessary software requirements.

1.28. We identified opportunities to strengthen the control environment, including:

- Conducting regular configuration reviews to ensure they remain relevant and effective; and
- Documenting when and who conducted such reviews, ensuring these are completed on a regular basis.

1.29. Actions to address these areas were agreed with management within a formal management action plan.

Housing Planned and Major Works follow up

1.30. The Housing Revenue Account contains the income and expenditure relating to the Council's social landlord duties covering, approximately, 11,900 rented properties and, in the region of, 2,300 leasehold properties. The capital programme provides investment in the Council's housing stock and the implementation of the long-term asset management approach.

1.31. Since April 2020, works are managed by the Council's in-house teams. The total budgets for 2025/26 for planned and major works were £26.9m for major works and £10.1m for planned works.

1.32. An audit of Housing Major and Planned Works undertaken in 2024/25, received an opinion of Partial Assurance with fourteen findings identified, including three assessed as high risk. We have therefore undertaken a follow-up review to review the extent to which actions agreed as part of the previous audit have been implemented.

1.33. We have provided an improved opinion of **Reasonable Assurance**, with most of the previously agreed actions either fully or partially implemented. Actions were agreed with management to address remaining areas of control weakness, including to:

- Develop a Housing Asset Management Strategy which is informed by a full stock

condition survey;
- Clearly evidence rationale for prioritisation of projects;
- Adhere to procurement requirements, including the Council's Contract Standing Orders; and
- Review approval limits within the NECH system to ensure payments for works are correctly authorised.

1.34. Actions to address these areas were agreed with management within a formal management action plan.

Housing Repairs

1.35. The responsive repairs and empty property refurbishment service was brought in-house in 2020 following the expiry of the Council's 10-year partnering contract with Mears. The service delivers routine and emergency repairs and procures specialist contractors where required. It supports a total housing stock of 15,489 properties, including 12,212 Housing Revenue Account (HRA) homes, 2,168 leasehold properties, 499 properties managed by Brighton & Hove Seaside Community Homes, and 610 properties leased by the Council for temporary accommodation.

1.36. Housing repairs processes should facilitate compliance with regulatory requirements and therefore minimise the Council's identified strategic risk of failure to maintain building and fire safety of council homes and property.

1.37. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Business processes have been fully documented, are operational and shared with staff;
- Effective controls are in place for monitoring the delivery and quality of housing repairs and ensuring regulatory compliance;
- Performance issues are investigated and addressed;
- Effective controls are in place to ensure that contractors and suppliers are engaged in line with the Council's Contract Standing Orders, paid for goods or works received and costs are assigned correctly;
- The costs of repair jobs are controlled and monitored;
- Where adverse budget reporting is identified, concerns are escalated, and remedial action is taken to enable budgets to be met; and
- Sufficient information is captured and reported to support completion of statutory financial returns.

1.38. We provided an opinion of **Partial Assurance** as although the service has made significant progress since insourcing, we identified control weaknesses, primarily linked to the procurement of key trades, supplies and systems required to provide a robust service to residents, including provision of high quality and timely repairs.

1.39. The audit identified a number of control weaknesses, including:

- Delays in progressing key procurement activities and a continued reliance on procurement waivers;
- Ongoing use of the housing repairs system provided by the former supplier, resulting in inefficiencies and increased risk, including the absence of an interface with the materials supply chain;
- Contract management arrangements that are not fully aligned with the Council's Contract Management Framework;
- The absence of a Repairs and Maintenance Policy and incomplete documentation of key processes, including quality inspection procedures; and
- Continued underperformance against the Key Performance Indicator relating to the timeliness of routine repairs.

1.40. Management have agreed actions to address the weaknesses in control identified in order to mitigate the risk to the service.

1.41. A follow up review will be completed to review the progress of implementation of the actions agreed by management.

Transition of Young People into Adult Social Care

1.42. Young people may enter adult social care through a variety of pathways. This requires coordination between children's and adult services, as well as with education, health, and external providers, to ensure a smooth and consistent transition.

1.43. Clients with additional educational and social needs may require complex and varied support, and services may be provided by the Family, Children and Wellbeing directorate until the age of 18 or 24, depending on whether the young person has an Education Health and Care Plan (EHCP). If the young person has a physical disability and no additional learning needs, then as the client becomes an adult, services may transfer to Adult Social Care.

1.44. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Governance arrangements, policies, and procedures are in place to ensure statutory duties are met, including transition assessments and the approval of care packages;
- Appropriate joint working practices and pathways between services and other agencies ensure a smooth transition into Adult Social Care for service users, and all individuals are identified timeously. Controls are in place to ensure there are no gaps in delivery and no young person who should transition is missed; and
- Effective oversight, identification, and management of all young people transitioning to Adult Social Care at an early stage is in place to inform and assist managing annual budgets and long-term financial planning.

1.45. We have been able to provide **Partial Assurance** based on our review of the current transition arrangements for young people moving to Adult Social Care. While we are aware that management has been reviewing this process for some time, delays in recruiting to the Programme Manager role has impacted progress in implementing the approved Transition Strategy and Delivery Plan.

1.46. We found a lack of clarity around roles and responsibilities for Council officers involved with transitions of young people to Adult Social Care. Key governance documentation for the transitions process, including a strategy, delivery plan, policies, and procedures were either not in place or not in date.

1.47. Data collection to enable effective monitoring of transition cases across all transition pathways is not always comprehensive. Furthermore, a live tracker document (for young people following a specific pathway) is planned but is not yet in place. This limits effective oversight, planning, and the identification of emerging risks within the transitions process.

1.48. Timely and or early notifications for referral are not always received. Therefore, opportunities for more effective transition planning may be missed, along with avoidable pressure on Adult Social Care at the point of transfer and potential higher provision costs.

1.49. However, we acknowledge that the team have been aware of weaknesses and have been working to address controls in this area, this audit should help inform that work.

1.50. The following actions were agreed by management to address the weaknesses identified in this audit:

- Finalising the draft strategy and launching the strategy and plan;
- Clearly defining roles and responsibilities;
- Improving data collection, monitoring and reporting and sharing of information between services;
- Ensuring closure of direct payment accounts is completed on time to minimise the risk of overpayments;
- Develop a live tracker for cases that are due to transition;
- Improve timeliness of referrals, particularly clients with mental health needs, so that cases are known at the earliest opportunity;
- Completing Care Act Assessments on time so that Direct Payments and client contributions are not adversely impacted;
- Updating Social Work policies and procedures on the intranet; and
- Updating documents of authorisation limits to reflect the current staff structure.

1.51. A follow up review will be completed to review the progress of implementation of the actions agreed by management.

Housing Client Property Asset Collection Controls follow up

1.52. An audit of Housing Property Asset Collection Controls was completed in 2025 following a high value of cash being discovered in a Council property. An audit opinion of partial assurance was given due to weaknesses in controls. Specifically, that there was no policy or sufficient procedures in place for staff to follow in relation to accepting, recording, transferring, and safeguarding cash on behalf of clients.

1.53. We have therefore, undertaken a follow-up review to assess the extent that the actions to improve control, agreed with management in the original audit, had been implemented. It is important that monies/ assets belonging to others, discovered by Council officers as part of routine processes, are handled consistently and appropriately to safeguard both the assets and the officers, where this could result in reputational and financial implications.

1.54. In completing this follow-up review, we provided an unchanged opinion of **Partial Assurance.** We recognise that this circumstance is not unique to Housing services and similar occurrences may happen across front line Council services. One of the key actions agreed in the original audit was that corporate guidance would be developed, and all procedures would be updated and feed into this, this had not been actioned at the time of our review.

1.55. In discussing this with management, it was agreed that the corporate guidance would be reviewed, agreed, and circulated, and the housing procedures would be updated.

1.56. A follow up review will be completed to review the progress of implementation of the actions agreed by management.

Schools

1.57. 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.

1.58. Five school audits and one nursery were finalised in quarter one. This included two follow up audits to provide assurance that actions agreed from a previous audit, that concluded Partial Assurance, had been implemented.

1.59. The table below shows schools audited during quarter 1 and the audit opinion.

Name of School	Audit Opinion
St Luke's Primary	Reasonable Assurance
Elm Grove Primary follow up	Reasonable Assurance
St Andrews follow up	Reasonable Assurance
Tarnerland Nursery follow up	Reasonable Assurance
Mile Oak Primary	Partial Assurance
Hove Park	Partial Assurance

1.60. 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.

1.61. 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

MS Power Platform Data Governance

1.62. The Microsoft Power Platform, including Power BI (the corporate data reporting software solution), is a set of tools available to most corporate employees that enables them, with minimal coding ability, to develop applications, automate processes, and produce data reports and visualisation.

1.63. The objective of this audit was to review the governance, control, and compliance arrangements for the adoption and use of Power Platform and Power BI. This included consideration of risks relating to uncontrolled development, inappropriate data sharing, access management, General Data Protection Regulation (GDPR) compliance, and the maturity of supporting technical controls.

1.64. The review found that the Council is at an early, but clearly defined, stage in establishing a controlled approach. There was evidence of positive preventative control design and emerging good practice, particularly in relation to governance structures, technical safeguards, and monitoring using Microsoft-recommended tooling.

1.65. For Power Platform flows, documented governance arrangements are in place, including defined ownership, approval gates, and separation of development, test, and production environments. Power BI governance is still maturing following implementation. To encourage user development, there are currently fewer controls over report creation. However, documented RACI models, a defined data architecture framework, and guidance for report builders are in place. Higher-risk functionality, such as “Publish to Web,” is restricted to a small number of system administrators and supported by monitoring and guidance.

1.66. Some controls are not yet fully embedded. Data Protection Impact Assessments (DPIA) for example, and other documentation is required for Power Platform solutions, but central storage of these documents is not yet complete. For Power BI, DPIA ownership remains unclear in some cases.

1.67. Overall, the Council has established a credible governance direction, but further work is needed to fully embed controls. No additional actions were raised, and no assurance opinion has been issued at this stage due to the amount of work on-going.

Large Panel System Blocks Programme Governance

1.68. Internal Audit was approached by management to review the planned governance arrangements for the Large Panel Systems programme, as an advisory review from a risk and control perspective. Large Panel Systems (LPS) are multi-story residential buildings constructed from large, precast concrete slabs.

1.69. The programme was developed following surveys undertaken on eight LPS blocks, which determined these did not meet the latest safety standards. On 19 March 2026 Cabinet approved the proposal to authorise the service of initial demolition notices for the LPS blocks. As a result, the LPS Programme is now moving into a new phase following Cabinet’s decision. Therefore, the Internal Audit advice work completed was a review of documentation and processes in place in relation to governance, planning, and preparation.

1.70. This review was undertaken with a forward-looking focus to support the next phase of programme delivery and add value through the identification of opportunities to strengthen governance and control arrangements. As a result, some of the areas highlighted below may not have been applicable or necessary during earlier phases of the programme. These included:

- The introduction of more detailed documentation for programme board meetings to ensure transparency of information, decisions and escalations;
- Review of resourcing going forward for the programme, into the next phase, to ensure this is sufficient and there is appropriate segregation of duties;

- Further detailed in key programme documentation to ensure continuation of programme management;
- The introduction and development of a Communications Strategy for the programme;
- Carrying-out further feasibility and survey work to ensure estimated costing is as accurate as possible; and
- Development of a robust and transparent process for value engineering and scope reduction if this is required during the programme.

1.71. This review did not contain an assurance opinion due to its advisory nature at the inception of the programme.

Bus Grant - Capital

1.72. The Local Authority Bus Grant is a consolidated grant for local transport authorities to maintain and improve bus services, comprising both capital and revenue funding. This is a ring-fenced grant available to local authorities from the Department of Transport to support the improvement of local bus services.

1.73. Brighton and Hove City Council received £9.2m funding for 2025/26, £3.2m capital and £6m revenue.

1.74. Internal Audit conducted a review and sample tested capital transactions in the 2025/26 financial year to provide assurance that capital expenditure was claimed appropriately and in accordance with the grant conditions.

1.75. The Chief Internal Auditor certified the capital grant claim for 2025/26 on behalf of the Council.

2 Counter Fraud and Investigations

Counter Fraud Proactive Activity

2.1. The team have reviewed and refreshed the Counter Fraud and Corruption Strategy and associated policies.

2.2. The team continue to monitor intel alerts and share information with relevant services when appropriate.

2.3. The team are currently liaising with the relevant services to ensure that data is prepared for this year's National Fraud Initiative, which is due to take place in December 2026.

Summary of Completed Investigations

Direct Payment

2.4 Following a referral from Health and Adult Social Care staff, Internal Audit and Counter Fraud investigated concerns that a client receiving Direct Payments to support their care needs was also licensed and working as a taxi driver. The Direct Payment was being paid to the client on the basis that they were unable to manage their basic care and support needs including being unable to walk unaided, managing basic hygiene needs, and being unable to feed themselves. However, the investigation found evidence that the client was licenced and actively working as a private hire taxi driver.

2.5 Following the investigation, it was determined that the client did not meet the 'Fit and Proper' criteria required to hold a taxi driving licence, resulting in the licence being revoked. The client also admitted failing to notify the Council's Health and Adult Social Care team of a change in circumstances and subsequently agreed to repay £62,068.09 to the Council.

Housing Tenancy and Council Tax Fraud

2.6 The Tenancy Fraud Team continues to investigate allegations of potential subletting. The team works closely with Housing Managers and Housing Officers to provide a coordinated response to allegations of tenancy abandonment. There is also an increasing focus on property visits and tenant engagement to raise awareness of, and reinforce, tenants' responsibilities under their tenancy agreements.

2.7 During the quarter the team recovered four properties; two 3-bedroom houses and two 1-bedroom flats.

2.8 The Team also continues to investigate allegations of false claims regarding Council Tax including Single Person Discount and Council Tax Reduction Support.

2.9 The table below shows the estimated financial value saved through the work of the Tenancy Fraud Team:

Fraud Area	(£) Year to Date	(£) 2025/26	(£) 2024/25	(£) 2023/24
Properties Recovered	313,200	626,400	930,000	558,000
Housing Application Withdrawn		325,508	359,772	-
Homeless Application Withdrawn				-
Right-To-Buy Withdrawn		102,400	102,400	-
Council Tax	3,771	16,559	13,165	9,065
Housing Benefit & Universal Credit	24,308	4,369		3,853
Business Rates				-
Total	**341,279**	**1,075,236**	**1,405,337**	**570,918**

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.

3.2 At the end the quarter, we can report that four high priority actions were showing as overdue. We are pleased to note that three of the outstanding actions were confirmed as implemented by management by October 2026.

3.3 The one remaining outstanding action is shown below and is in progress.

Details of Audit Issue	Due date	Revised date	Agreed Action
Gaps in policy lead to potential misuse of Parking Dispensation Scheme by officers.	31/10/25	31/03/26	A corporate review of the dispensation policy will be undertaken involving the relevant stakeholders including the Customer Contact Lead, Parking Customer Services Manager, Parking Fraud Manager and HR Policy Lead.

3.4 In addition several 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. The 2026-27 audit plan included some contingency for emerging risks and for the IT&D audit plan. Through discussions with management the following audits have been added to the audit plan this quarter:

Planned Audit	Rationale for
Commercial Waste	The objective of this audit will be to provide assurance that controls are in place to facilitate a legally compliant, efficient, and effective commercial waste service.

Financial Assessments Adult Social Care	The objective of this audit is to provide assurance that controls are in place across the financial assessment process to ensure a timely, correct calculation and recovery of contributions from clients.
Leisure Contract	The objectives of this audit are to provide assurance that contract management arrangements in place are robust and the future planning for the leisure management provision is sufficient for the future operating model.
NEC Application Audit	The purpose of this audit was to ensure that controls are in place to maintain appropriate system security, and to facilitate the timely and accurate processing of revenues and benefits information.
IT&D Asset Disposal	The objective of this review is to provide assurance that robust strategies, policies, and procedures are in place in relation to equipment disposals and that the Council has appropriate contract monitoring in place for third-party disposal contracts.
Patch Management	The purpose of this audit is to provide assurance that there are robust controls in place ensuring that critical hardware and software have the latest patches applied as a preventative control that maintains up-to-date software and addresses known security risks.
Shadow IT Governance Arrangements	The objective of this audit was to provide assurance over the adequacy and effectiveness of the Council's governance, risk management, and control arrangements in relation to Shadow IT.

4.2 To allow additional audits to take place, the following audits have been removed 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
Public Health Grant Governance Arrangements	Deferred due to changes within the service and external assurance provided through an external review by the Department of Health & Social Care.
Income Cash and Banking	Cancelled to allow for higher priority audits.

5 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**	2026/27 Internal Audit Strategy and Annual Audit Plan formally approved by Audit, Standards & General Purposes Committee - 21st April 2026
	Annual Audit Report and Opinion	By end July	**G**	2025/26 Annual Report and Opinion presented to Audit, Standards & General Purposes Committee 23rd June 2026
	Customer Satisfaction Levels	90% satisfied.	**G**	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	21.25%	**G**	27.1% This high performance against target is positively impacted by the high number of carry forward audits from 2025/26 that were finalised in this quarter.
Compliance with Professional Standards	Global Internal Audit Standards	Conforms	**G**	April 2025 - Self Assessment against the Global Internal Audit Standards (GIAS) completed. No major areas of non-conformance identified. Some areas to ensure full compliance have been identified including the

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				update of the Audit Charter. June 2026 - Our latest quality review exercise completed, no major areas of non-conformance with only minor need to make improvements relating to internal record keeping within the service. A bi-monthly quality review mechanism has now been introduced.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures, and Investigations Act	Conforms	**G**	No evidence of non-compliance identified
Our staff	Professionally Qualified/Accredited (Includes part-qualified staff and those undertaking professional training)	80%	**G**	90%

Management Performance – High Priority Actions

5.2 In addition to the performance metrics above we also monitor the implementation of high priority actions by management, which is also a corporate key performance indicator. The following Key Performance Indicator is not wholly owned by Internal Audit, but demonstrates improvement in the internal control framework, as influenced by Internal Audit. Further details of actions outstanding at the end of quarter 1 are found in section 3 above.

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	**A**	86.2% for high priority agreed actions (see above)

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 & General Purposes Committee

Agenda Item 38

Subject: **Standards Update**

Date of meeting: **24 November 2026**

Report of: **Elizabeth Culbert, Director – Governance & Law and Monitoring Officer**

Contact Officer: **Name: Victoria Simpson, Senior Lawyer – Corporate Law**

Email: Victoria.Simpson@brighton-hove.gov.uk

Ward(s) affected: **All**

For general release

1. Purpose of the report and policy context

1.1 To provide an update on Standards-related matters, including in relation to complaints alleging that Members have breached the Council's Code of Conduct for Members.

2. Recommendations

2..1. That Committee agrees to note the contents of this Report.

3. Context and background information

3.1 The Council is required by the Localism Act 2011 to have in place arrangements for dealing with complaints against elected and co-opted Members. Brighton & Hove City Council reviews its arrangements regularly and publishes them on its website. It also makes data on member complaints available to the public via quarterly reports such as this one.

3.2 The Audit, Standards and General Purposes Committee has delegated authority for leading in discharging the statutory requirement that the Council maintain and promote high standards of conduct by Members. This Committee receives quarterly reports on complaints against members to provide reassurance that complaints are being considered and dealt with in accordance with the Council's processes. This Report appends data on complaints both reported as outstanding at the time of the last Report, and those which have been received since then.

3.3 Members are asked to note the contents of the Report and to make any comments or suggestions they wish.

4. Quarterly report on Member complaints

Progress on complaints previously reported to this Committee

4.1 This data is provided in Appendix 1, at table 1.

Progress on new complaints received in since the last update

4.2 This data is provided in Appendix 1, at table 2.

4.3 The complaints referred to in this section are being progressed by the office of the Monitoring Officer in accordance with the procedure which governs member complaints.

5. Independent Persons appointed under the Localism Act 2011

5.1 The Council is required to appoint at least one 'independent person' to provide input at key points during the determination of complaints against members. At this Council, we continue to be very fortunate in the calibre and expertise of the individuals we attract to the role. We appoint three individuals to it, in order reflect the fact that they provide a greater degree of input in this area than is statutorily required, and to enable us to rotate member complaints between independent persons in a way which permits them to manage their other commitments.

5.1 Committee is asked to note that the tenure of the Council's most longstanding Independent Person, David Bradly KC, will come to an end on 24 October 2026. Mr Bradly was first appointed to this Council in 2020. He has brought with him expertise and rigour which has proved invaluable and will be much missed.

5.1 The last meeting of this Committee was informed of the recruitment of two new independent persons via an open application process. Following their formal appointment at full Council on 23 July 2026, Dean Spears and Paul Cummins joined our existing independent person Barbara Beard as appointees.

6. Proposed changes to the standards regime

6.1 This Committee has previously been made aware of the Government's response to the consultation on its proposals to substantively reform the member complaint regime. While the Government has stated its intention to to legislate for substantial reform of the councillor conduct regime, there has been no further news regarding timescales. A watching brief continues to be maintained.

7. Member training

7.1 Standards training continues to be offered to any newly elected councillors, while refresher training may be offered to current elected members if requested.

8. Analysis and consideration of alternative options

8.1 The Council is obliged under the Localism Act to make arrangements for maintaining high standards of conduct among members and to make arrangements for the investigation of complaints. This 'for noting' Report provides information as opposed to options.

9. Community engagement and consultation

9.1 None.

10. Financial implications

10.1 There are no direct financial implications arising from this report. Any activity in relation to monitoring standards and investigating complaints is met from existing budgets.

10.2 Any financial impacts that arise from the reforms proposed by government will be assessed and reported once proposals are published and understood.

Name of finance officer consulted: Haley Woollard
Date consulted: 09/09/2026

11. Legal implications

11.1 All matters of a legal nature that are considered relevant have been addressed in the body of this Report.

Name of lawyer consulted: Victoria Simpson Date consulted 19/08/2026

12. Risk implications

12.1 No risks other than the previously reported potential resourcing pressures of an updated member complaints regime of the type consulted on have been identified.

13. Equalities implications

13.1 There are no equalities implications arising from this Report, which provides reassurance on the arrangements which have been developed with the need to ensure the Council and its members discharge their responsibilities with appropriate regard for equalities considerations in mind.

14. Sustainability implications

14.1 No sustainability implications have been identified.

15. Other Implications

15.1 No other implications have been identified.

16. Conclusion

16.1 Members are asked to note the contents of this Report, which aims to assist the Council in discharging its responsibilities in this area.

Supporting Documentation

Strengthening the standards and conduct framework for local authorities in England - GOV.UK

Appendices

Appendix 1 – data on member complaints previously reported to Committee (Table 1) and new Complaints (Table 2)

Appendix 1: Complaint data

Table 1 – Complaints reported to June 2026 Committee as unresolved at that time

URN	Date received	Date determined	If concluded, basis on which decision was taken	Complaint Topic	Additional notes
L12025	16/10/2025	Ongoing		**D**	Complaint about the conduct of a Cllr alleging inappropriate conduct.
G2026	05/03/2026	Ongoing		**D**	Complaint about a social media post about the complainant
H2026	31/03/2026	Ongoing		**C**	Complaint alleging inaccuracy of information provided by subject member about Council services
I2026	27/03/2026	Ongoing		**B**	Complaint regarding response provided by a subject member to a public question about an email sent by the Council.
J2026	31/03/2026	Ongoing		**A**	Complaint about the position taken by two councillors regarding a planning application in their ward
K2026	29/04/2026	Ongoing		**A**	Complaint by a member of the public regarding the fact a councillor has not responded to any of the communication sent regarding a petition they had discussed in detail.
L2026	30/04/2026	Ongoing		**A**	Complaint from a member of the public about subject member not responding to their correspondence

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					regarding an issue with a parking permit
M2026	30/04/2026	Ongoing		**A**	Complaint from a member of the public about lack of response to their correspondence regarding an issue with a parking permit
N2026	01/05/2026	Ongoing		**B**	Complaint regarding three members' conduct at a public meeting
O2026	11/05/2026	Ongoing		**C**	Complaint from a member alleging that conduct had breached the Nolan principles
P2026	02/06/2026	Ongoing		**C**	Complaint from a member of the public about regarding comments made by the subject member on social media i
R2026	02/06/2026	Ongoing		**A**	Complaint from a member of the public alleging lack of response by a councillor to email communications about a parking permit issue

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Table 2: Complaints received in since the June 2026 Report to Committee:

S2026	11/06/2026	Ongoing		**A**	
T2026	29/05/2026	N/A	Dealt with as a corporate complaint rather than Councillor complaint	**-**	N/a
U2026	14/06/2026	X	Decision to take no further action. XX	**D**	Complaint regarding public communications on the topic of the June 13th 2026 protests in the city

V2026	11/06/2026	X	Decision to take no further action. XX	**D**	Complaint regarding public communications on the topic of the June 13th 2026 protests in the city
W2026	11/06/2026	X	Decision to take no further action. XX	**D**	Complaint regarding public communications on the topic of the June 13th 2026 protests in the city
X2026	14/06/2026	X	Decision to take no further action. XX	**D**	Complaint regarding public communications on the topic of the June 13th 2026 protests in the city
Y2026	24/07/2026	Ongoing	Not yet concluded	**B**	
Z2026	23/07/2026	Ongoing	Not yet concluded	**A**	
A12026	11/08/2026	Ongoing	Not yet concluded	**A**	
B12026	17/08/2026	Ongoing	Not yet concluded	**A**	

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Key to Complaint topics

Code	***Description of type of conduct complained about***
A	*Complaints about members' conduct in their wards, including when discharging their ward responsibilities or otherwise communicating with constituents or other stakeholders.*
B	*Complaints about comments or conduct either at council meetings, or at meetings at which members are representing BHCC*

C	*Complaints about conduct relating to council business or other members made outside council meetings, including on social media*
D	*Complaints about a member's conduct or position on an issue which is not council business or a ward matter, including conduct or a statement reported in the press or made on social media*

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Audit, Standards & General Purposes Committee

Agenda Item 39

Subject: **CIPFA i360 Report**

Date of meeting: **24 November 2026**

Report of: **Director Property and Finance**

Contact Officer: **Name: Elizabeth Griffiths**
Email: Elizabeth.Griffiths@brighton-hove.gov.uk

Ward(s) affected: **Regency**

For general release

1. Purpose of the report and policy context

1.1 When Brighton i360 went into administration, the Council lost £51m owed to it in loans made, additional loans novated and rolled up interest that had not at that point been repaid. This has resulted in an ongoing financial pressure on the Council as the money borrowed by the authority to fund this is being repaid to the public works lending board over the period till 2041.

1.2 In a Cabinet report on the 23rd of January 2025, Cabinet agreed to commission an external independent investigation to understand the circumstances of and lessons from the council's original decision to loan public money to deliver the Brighton i360.

1.3 The report attached as Appendix 1 was carried out by CIPFA. This Committee is asked to note the report and its recommendations.

2. Recommendations

2.1 That Committee notes the enclosed report carried out by CIPFA.

3. Context and background information

3.1 The CIPFA report is attached at Appendix 1.

4. Analysis and consideration of alternative options

4.1 No alternative options have been considered in relation to this 'for noting' report.

5. Community engagement and consultation

5.1 Community engagement has not been considered in relation to this report in view of its nature as an internal review document.

6. Financial implications

6.1 There are no financial implications arising from this report. The financial implications from the cabinet report dated 23rd of January 2025 which discussed the future of the Brighton i360 and prompted the commissioning of the enclosed review were clearly laid out in that report.

Name of finance officer consulted: Elizabeth Griffiths Date consulted (12/11/26):

7. Legal implications

7.1 No direct legal implications have been identified in this 'for noting' report.

Name of lawyer consulted: Victoria Simpson Date consulted 09.11.2026

8. Risk implications

8.1 Understanding and implementing the actions noted in this lessons learned Report is a key part of reducing future risks arising in corporate projects in future.

9. Equalities implications

9.1 No direct equalities implications have been identified.

10. Conclusion

10.1 Committee is asked to consider the CIPFA report and to note its contents.

Supporting Documentation

1. Appendices

1. Report by The Chartered Institute of Public Finance and Accountancy: Brighton: i360 Lessons Learnt. Final Version February 2026

The Chartered Institute of
Public Finance & Accountancy

CIPFA

Brighton & Hove City Council

Brighton i360 Lessons Learnt

A Report by The Chartered Institute of Public Finance and Accountancy

Final Version February 2026

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

Further information about CIPFA Solutions, our expert advisory service, can be found at www.cipfa.org/solutions.

Lessons Learnt Review of the Brighton i360 Project

Purpose and Scope of this Report

Much detail on the entire lifecycle of the i360 project has already been thoroughly documented and debated through previous audits, evaluations, and public disclosures. Therefore, this report does not aim to provide a forensic or exhaustive analysis of the entire project. Instead, the focus here is on drawing out key lessons by comparing the overall intention and trajectory of the project against the HM Treasury Green Book methodology, using the Five Case Model as a framework for reflection. It is important to note that this is a high-level overview, and because to the timescales since the original concept, the analysis is based on a limited set of key available data sources and documentation. As such, it does not include access to all internal records, financial models, or contractual details that may have influenced specific decisions or outcomes at the time. Where information has been requested, but it is not available, the assumption is that it does not exist.

However, the intention is not to re-examine every operational detail, but to identify broader insights that can inform future commercial and investment strategies, particularly in relation to strategic alignment, risk management, commercial governance, and financial resilience. Sufficient documents have been made available to do this. Therefore, this approach allows for a structured reflection on what went well, what could have been done differently, and how similar projects might be better designed and delivered in the future.

Approach to the Analysis

This lessons learnt report on the i360 project and its associated documentation has been reviewed in accordance with HM Treasury's Green Book methodology, using the Five Case Model to provide a balanced and coherent retrospective evaluation.

The five cases have allowed for key lines of enquiry to be tested.

The Strategic Case reflects on how well the project aligned with local and national policy objectives, and whether the original rationale remained valid.

The Economic Case considers whether the project delivered expected public value, assessing actual costs and benefits—including wider social and economic impacts—against initial projections.

The Financial Case evaluates the accuracy of financial planning, funding arrangements, and affordability over time, identifying any gaps between forecast and actual performance.

The Commercial Case reviews the effectiveness of contractual arrangements, examining how risks were captured and managed, and whether the strategy supported long-term viability.

Finally, **the Management Case** assesses the governance, delivery, and management processes, highlighting what worked well and where improvements could be made in future projects.

This structured approach enables a clear understanding of the project's outcomes and provides insights to inform future decision-making and investment planning. Whilst some of the lessons are specific to this project, most, if not all, have wider applicability.

Background to the Project and the Local Government Context

It is essential to acknowledge that the original concept for the i360 project was raised nearly two decades ago, with the business case developed in 2012. At that time, the environment for local government investment was fundamentally different. Councils were increasingly encouraged to adopt a more commercial mindset, leveraging borrowing powers and asset-backed investments to stimulate local growth and regeneration. This shift toward a risk-based approach was shaped by constrained public funding and a desire to unlock alternative revenue streams.

One of the key enablers of this shift was the ability to borrow at low interest rates from the Public Works Loan Board (PWLB). This made it financially attractive for councils to invest in commercial ventures, particularly property, with the expectation that rental income and asset appreciation would generate reliable revenue streams.

Commercial investments were seen as a pragmatic response to austerity, aiming to use the income to offset budget shortfalls and support frontline services. This approach was often framed as a way to become more financially self-sufficient and reduce reliance on volatile government grants.

These investments reflected a broader trend of councils stepping into roles traditionally occupied by private developers and institutional investors. While some projects delivered positive returns and supported local regeneration, others exposed councils to market fluctuations and long-term financial liabilities, especially where assumptions about income and costs proved overly optimistic.

One of the key findings from the documents reviewed is the i360 suffered from optimism bias from the outset. Whilst the business case for the i360 did not, and could not, anticipate such disruptive events such as the COVID-19 pandemic or the subsequent economic downturn, both of which significantly impacted visitor numbers, operational viability, and financial sustainability, the original financial and visitor projections, even with some revised scenarios, anticipated a level of market penetration for the attraction that could not be achieved and lacked provision for changing circumstances.

This lack of challenge underlines a wider issue within local authorities: the limited commercial acumen within many local government structures at the time. While councils were encouraged to behave more like private sector entities, they were often not equipped with the necessary skills, experience, or governance frameworks to manage complex commercial investments. In many instances, decision-making was driven by ambition rather than robust financial analysis, and oversight mechanisms were not sufficiently developed to challenge assumptions or monitor performance effectively.

For the i360, from the documents reviewed, this would appear to be the case for Brighton and Hove City Council and there is a need to learn lessons to ensure resilience and commercial expertise are embedded into future business considerations. The council should ensure that investment decisions are underpinned by rigorous due diligence, realistic

financial modelling, and a clear understanding of market dynamics. Moreover, there is a need to strengthen internal capacity, through recruitment, training, and partnerships, to ensure that commercial ventures are managed with the same discipline and scrutiny expected in the private sector.

The Strategic Case

Brighton's i360 project was initially well-aligned with Brighton & Hove City Council's strategic intent, particularly in terms of regeneration, tourism enhancement, and financial innovation. The project was conceived as a flagship regeneration initiative aimed at revitalising the West Pier area, a historically underutilised part of the city's seafront. By introducing a landmark attraction, the council sought to stimulate economic activity, increase footfall, and attract new businesses to the area. This objective was consistent with broader local and national policy goals focused on urban renewal and place-making.

From an economic development perspective, the i360 was designed to generate substantial public value. The business plan projected significant contributions to the local economy and job creation, which were largely realised. The attraction has been reported to have supported approximately 450 jobs and contributed nearly £30 million annually to Brighton's economy. These outcomes demonstrated a tangible alignment with the council's intent to boost local employment and economic resilience through strategic investment.

The project also reflected the council's evolving commercial strategy during a period when local authorities were encouraged to adopt more entrepreneurial approaches to funding and investment. With access to low-interest loans from the Public Works Loan Board, councils were incentivised to pursue asset-backed ventures that could generate revenue and reduce reliance on central government grants. The i360 was emblematic of this shift, representing a bold attempt to leverage public borrowing for long-term financial sustainability.

However, despite these strategic alignments, the execution of the i360 project revealed several critical gaps which are discussed below.

The Economic Case

The original business plan for the Brighton i360, developed in 2012, projected annual visitor numbers of between 700,000 and 800,000, with the first year expected to attract 798,374 paying visitors. D & J Consulting Ltd worked alongside Marks Barfield Architect and provided a review of these projections in 2014. They produced projected opening year attendance figures with a high, medium and low range of 982,922, 822,584 and 599,242 respectively, and recommended using the medium projection of 822,584. These forecasts proved to be naïve and fell far short of these expectations. This projection of visitor numbers was one of the most significant factors that led to an over-anticipation of income and was based on unrealistic assumptions about tourist and residential market penetration and the attraction's appeal as a landmark destination.

Whilst the business plan used a forecast between 700,000 and 800,000 visitors annually (in the reviewed business case the visitor projection was 822,582 in 2016 and falling to 733,705 in 2026), in reality the attraction averaged around 270,000 per year. This discrepancy stemmed from an overestimation of market penetration - assumed to be 3.6–4% of the local and tourist population, as well as unforeseen global shocks for which there was no mitigation.

The Financial Case

Financial projections also proved overly ambitious. The plan anticipated £11.7 million in revenue and £6.7million in EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortisation) in the first year, rising modestly over the following years. The attraction was expected to be highly cash generative, with sufficient income to cover operating costs and service the £36 million loan provided by Brighton & Hove City Council.

However, the i360 struggled to break even and eventually defaulted on its loans. As well as visitor numbers, a further key issue was the overestimation of revenue per visitor and secondary spending, such as purchases at the Sky Bar and merchandise sales. The expected conversion rates and spending levels did not materialise, undermining the financial viability of the project.

Scrutiny of the Business Plan

The Brighton i360 business plan demonstrated optimism bias, a common cognitive and planning pitfall in large infrastructure and public sector projects.

Optimism bias refers to the systematic tendency to overestimate benefits and underestimate costs, risks, and timelines. It has been particularly prevalent in public infrastructure and regeneration projects, and the HMT Green Book warns against it.

Applying an optimism bias adjustment would have changed the Brighton i360 business plan projections and would have provided a more realistic set of figures, that may have created a more considered approach to the investment. Visitor numbers would have been forecast at closer to 500,000 for the first year and EBITDA would have been projected at around £5million, reducing the perceived financial headroom for debt servicing. These adjustments may have flagged early concerns about loan repayment capacity and prompted more cautious financial structuring.

To improve the realism and reliability of the financial projections in the Brighton i360 business plan, additional scrutiny, testing and validation could have been employed. It is useful to summarise what these may have been.

Scenario Analysis & Sensitivity Testing

The original plan relied heavily on a single scenario, and although a 50% reduction in visitor numbers was modelled, it failed to account for a number of potential downside risks. This approach limited the robustness of the financial and operational projections. A more comprehensive strategy would have involved developing a more comprehensive range of scenarios - best-case, base-case, and worst-case - to reflect varying market conditions and uncertainties. More detailed sensitivity testing should have been applied to key variables such as visitor numbers, average spend per visitor, operating costs including other operator costs, weather-related closures, and broader economic downturns. Whilst a revised version of the business review by D & J Consulting did look at some ‘constrained’ visitor number estimation, these were only modest changes and did not consider a realistic worst case. More detailed scenario testing would have provided a clearer understanding of how

fluctuations in these factors could impact overall performance and financial viability, enabling more informed decision-making and risk mitigation.

Benchmarking Against Comparable Attractions

While the plan referenced and benchmarked against a number of regional UK attractions, it also considered iconic global landmarks such as the London Eye, Eiffel Tower, CN Tower, Empire State Building, Berlin TV Tower, Willis Tower, and the Auckland Sky Tower and used some of the information on these attractions to determine market penetration. These international comparators operate at a scale and within destination markets that bear little resemblance to the local regional context. The approach should have primarily focused on benchmarking against domestic attractions such as the Spinnaker Tower in Portsmouth, Blackpool Tower, and SEA LIFE Brighton. These UK-based comparators provide far more relevant insights into visitor penetration rates, seasonality patterns, and average spend per head in comparable market conditions. Strengthening the focus on such regional benchmarks would have grounded the projections in more applicable evidence and enhanced the robustness of the business plan.

Independent Market Validation

Although AECOM provided original attendance forecasts, the plan lacked evidence of independent scrutiny of the underlying financial assumptions. Whilst the Council worked with a number of independent advisors such as Pinsent Mason, Osborne Clark, Gardener Theobold to provide legal and technical assurance, only D & J Consulting were appointed by Marks Barfield Associates to provide a further evaluation of the potential attendance and financial performance. Relying on a limited source for market validation introduces the potential bias and reduces confidence in the projections. Additionally, incorporating further feedback from local stakeholders would have added valuable context and ensured alignment with regional tourism dynamics. This multi-faceted validation process would have enhanced the reliability of the forecasts and built broader stakeholder support.

Pilot Testing or Pre-Opening Engagement

The absence of any pilot testing or phased opening represented a missed opportunity to validate demand before full-scale launch. Leveraging pre-booking data and monitoring social media interactions would have offered real-time indicators of market appetite. These methods are cost-effective and low-risk ways to test assumptions, refine the offering, and build anticipation ahead of the official opening. Such engagement would have helped de-risk the launch and inform more accurate forecasting.

Stress Testing the Financial Model

While the financial model included basic assumptions around inflation and costs, including a view on a 50% reduction in attendance, it lacked rigorous stress testing to evaluate resilience under adverse conditions. Key vulnerabilities, such as the ability to service debt under reduced revenue scenarios and the impact of fixed costs during low seasons, were not adequately explored. A more robust approach would have involved modelling cash flow under stress conditions. Using the 50% assumption to assess financial sustainability may have helped to consider further mitigation. Additionally, contingency planning for refinancing

or restructuring debt should have been incorporated to prepare for potential financial shocks. This level of analysis is essential for ensuring long-term viability and investor confidence.

Post-Opening Review Mechanism

The plan did not include a mechanism for revisiting projections and assumptions after launch, which is critical for adaptive management. A rolling forecast model with quarterly updates would have allowed for ongoing performance tracking and timely adjustments. Establishing performance triggers would prompt early strategic reviews and corrective actions. This dynamic approach ensures that the attraction remains responsive to market realities and can pivot effectively in response to emerging challenges or opportunities.

Summary of Financial Testing against the Business Plan

Several lessons can be learned from the financial projections process. Conducting more extensive independent market research and validating local versus tourist demand would have helped ensure more accurate forecasting. Incorporating scenario planning and sensitivity testing around key variables like ticket pricing and attendance would have strengthened the visitor projections. Breaking down revenue streams and benchmarking spend per visitor would have improved realism, while clearer separation of fixed and variable costs, along with inflation and staffing contingencies, would have enhanced cost modelling. Financial stress testing, such as modelling cash flow under reduced revenue, would have helped assess resilience. More detailed benchmarking against regional attractions and aligning pricing with local demographics would have made projections more grounded. Including commercial risks in the risk register, with documented mitigations and insurance coverage, would have supported risk management. Finally, establishing rolling forecasts, KPIs, and independent oversight would have ensured better governance and adaptability post-launch.

The Commercial Case

The concept behind the Brighton i360 was fundamentally sound. It aimed to replicate the success of the London Eye in a smaller, more cost-effective format, which was a logical and appealing proposition. Brighton, being one of the UK's most popular tourist destinations with approximately 8.5 million annual visitors, was a sensible location for such an attraction. The city's vibrant tourism industry provided a strong foundation for the project's potential success. However, as mentioned above, this was overstated.

From a construction standpoint, the i360 was genuinely "shovel-ready." Planning permissions had already been secured, steel had been purchased, and initial groundwork was underway. These factors indicated a high level of preparedness and commitment to moving the project forward efficiently.

Economically, the project was designed with regeneration and job creation in mind, and it largely delivered on these fronts. The i360 contributed to local development and provided employment opportunities, aligning with its original goals and reinforcing its value to the community.

How Risk was Managed

One of the key elements of the Commercial Case is the management of risk. The risk register for the project reveals some areas of strength, but also some notable gaps and limitations.

Strengths of the Risk Register

Structured Format and Clarity

The risk register is well-organised, presenting risks and opportunities in a clearly categorized format. Each entry is systematically documented with key attributes including the likelihood of occurrence, potential impact, overall risk score, designated owner, and corresponding mitigation actions. This structure enhances transparency and facilitates effective tracking and management of risks across the project lifecycle.

Comprehensive Coverage of Key Risk Domains

The register demonstrates a broad scope by addressing several critical areas. It includes legal risks that could arise from regulatory or contractual issues, construction and operational risks related to project delivery and day-to-day functioning, and stakeholder relationship risks that could affect public perception and collaboration. Additionally, it identifies environmental and social opportunities, reflecting a balanced approach that considers both threats and potential positive impacts.

Alignment with ISO 31000 Risk Management Framework

The scoring matrix used in the register is aligned with the ISO 31000 international standard for risk management. This alignment ensures consistency with globally recognised best practices. Importantly, the register distinguishes between risks (negative impacts) and opportunities (positive outcomes), allowing for a more nuanced and strategic approach to risk assessment and decision-making.

Mitigation Planning and Accountability

Mitigation strategies are clearly outlined, including both actions already implemented and those planned for future execution. Each mitigation measure is assigned to a named officer, ensuring accountability and enabling follow-up. This proactive planning supports risk reduction and enhances confidence in the project's governance.

Gaps and Limitations

Financial Risk to the Council

Whilst financial risk was included within a version of the risk register, the mitigation considerations lacked the explicit modelling for the financial risk associated with the potential underperformance of the i360 project. Specifically, it did not sufficiently address the scenario in which the attraction fails to generate sufficient revenue, leading to loan defaults and substantial financial losses.

Optimism Bias in Forecasting

The register does not account for optimism bias, particularly in the context of visitor number projections and revenue forecasts. The absence of such adjustments contributed to inflated expectations that were not adequately stress-tested, increasing the risk of financial shortfall.

Loan Repayment Risk

There is no detailed assessment of the risk that Brighton i360 Ltd might fail to meet its debt obligations, nor of the council's exposure as the lender. This oversight is significant, as the council remained liable for repayments to central government even after the operating company defaulted. A thorough evaluation of this risk, including mitigation strategies and contingency plans, should have been included.

Reputational Risk to the Council

The potential reputational damage to the council from project failure, public criticism, or perceived mismanagement is understated in the register. Given the high-profile nature of the project and the financial implications, reputational risk should have been more prominently featured and analysed, with clear mitigation strategies to manage public perception and stakeholder trust.

Governance and Oversight Risks

The register lacks an assessment of governance-related risks, such as issues with board composition, absence of independent financial oversight, and potential conflicts of interest. These factors can significantly affect decision-making quality and accountability, and their exclusion represents a governance blind spot in the risk management process.

External Shocks and Macro-Level Risks

Finally, the register does not consider external shocks such as economic downturns, pandemics, or cost-of-living crises—all of which can (and did) have a profound impact on tourism and discretionary spending. The failure to include these macro-level risks limits the register's ability to anticipate and respond to broader environmental changes that could affect project viability.

Summary of the Risk Register Approach

The project's risk register showed strengths in structure, coverage, and alignment with best practices, but key gaps significantly limited its effectiveness. Crucial risks, such as financial exposure, loan repayment failure, optimism bias, reputational damage, governance issues, and external shocks were either understated or omitted. Had these areas been properly addressed earlier, it may have been possible to reach a more timely and better-informed decision on the project's future, potentially reducing financial and reputational impacts on the council.

The Management Case

The Management Case for the Brighton i360 project reveals several governance and delivery challenges that impacted the project's overall success. The project benefited from a

clear strategic vision and initial momentum, but the governance structures in place lacked the agility and oversight required for a complex commercial venture. While the project was delivered on time and within its construction budget, the post-launch phase lacked sufficient mechanisms for performance monitoring and strategic adjustment. Roles and responsibilities were not consistently defined, and escalation routes for emerging risks were unclear. Communication between stakeholders, including the council, delivery partners, and external advisors, was inconsistent, leading to delays in decision-making and missed opportunities for course correction.

Effective management of complex commercial ventures requires a robust framework that includes rolling forecasts, key performance indicators (KPIs), and independent oversight. The absence of these tools in the i360 project meant that early warning signs were missed, and corrective actions were not taken in a timely manner. Future projects should embed adaptive management principles, ensuring that governance structures are agile and capable of responding to emerging risks and opportunities.

Additionally, stakeholder communication was inconsistent, which undermined public confidence and limited the council's ability to build consensus around strategic decisions. A more proactive engagement strategy, including regular updates and transparent reporting, would have strengthened trust and facilitated better decision-making. The council should also invest in internal capacity-building to ensure that project managers and decision-makers possess the necessary commercial and strategic skills to oversee complex investments.

In addition, whilst the leadership team of Brighton i360 Ltd has strong credentials in design, construction, and commercial operations, there appears to be gaps in financial acumen. There is no mention of a CFO or financial controller with deep expertise in financial modelling, investment analysis, or debt management as part of the senior team. Neither does the plan reference any external financial advisors or independent validation of the financial model beyond AECOM's attendance projections.

Furthermore, the absence of adaptive management frameworks meant that the project was not responsive to changing market conditions or performance data. There appeared to be limited use of rolling forecasts, key performance indicators (KPIs), or structured review mechanisms to monitor progress and adjust strategies. This rigidity contributed to the persistence of optimism bias and the failure to address financial underperformance in a timely manner.

To strengthen future management cases, the council should establish robust governance frameworks with clearly defined roles, escalation protocols, and independent oversight. Adaptive management tools, such as quarterly performance reviews and scenario planning, should be embedded into project delivery to ensure responsiveness and accountability. Investment in internal capacity, including commercial and project management skills, is essential to support effective governance and risk management.

Summary of Lessons Learnt

1. Strategic Planning and Alignment

- The project was conceptually aligned with regeneration and tourism goals, but lacked clearly defined success criteria and measurable outcomes.
- Strategic ambitions were not translated into robust performance indicators, making it difficult to assess progress or impact over time.

2. Economic Forecasting and Market Assumptions

- Visitor number projections and market penetration figures were significantly overestimated, and not focused enough on local regional comparators which may have provided a better comparator.
- The assumptions failed to reflect Brighton's actual market dynamics, leading to unrealistic expectations and financial shortfalls.
- Optimism bias was evident throughout the business case, with insufficient adjustment for downside risks or external shocks.

3. Financial Modelling and Resilience

- Revenue and EBITDA forecasts were overly ambitious and not supported by realistic secondary spending assumptions.
- The financial model lacked sufficient stress testing and scenario planning, which would have revealed vulnerabilities in debt servicing and operational sustainability. Later Business Plan medium and low 'constrained' number assumptions were still highly overstated.
- The absence of post-launch review mechanisms meant that financial underperformance was not addressed in a timely or adaptive manner.

4. Commercial Governance and Risk Management

- The risk register was well-structured, but failed to capture key financial, reputational, and governance risks. Whilst later additions included financial risk these were not given enough emphasis or mitigation strategies.
- There was no modelling of loan repayment risk or contingency planning for default scenarios, despite the council's exposure as lender.
- Optimism bias and external shocks were not adequately considered, limiting the robustness of risk mitigation strategies.

5. Benchmarking and Validation

- Comparison to global attractions distorted expectations. A greater emphasis on more appropriate comparators like regional UK attractions would have provided more grounded insights.
- The business plan lacked independent market validation and relied heavily on a single forecasting source, reducing confidence in its assumptions.

6. Governance and Management Oversight

- Governance structures lacked agility and clarity. Roles and escalation routes were poorly defined, and stakeholder communication was inconsistent.
- There was limited use of rolling forecasts, KPIs, or adaptive management frameworks to monitor and respond to performance issues.
- Internal commercial acumen was insufficient, contributing to weak oversight and a lack of challenge to key assumptions.
- The leadership team for i360 Ltd lacked financial depth.

Recommendations for Future Projects

1. Apply Optimism Bias Adjustments

Use standard adjustments to temper projections and ensure financial realism, especially in revenue forecasts.

2. Conduct Scenario and Sensitivity Testing

Model best-case, base-case, and worst-case scenarios to understand financial resilience and inform risk mitigation strategies. Whilst a later iteration to the Business Plan included a ‘constrained’ medium and low attendance demand, these were still considerably overstated.

3. Benchmark Appropriately

Compare intended outcomes with similar market profiles to ensure projections are grounded in realistic data.

4. Commission Independent Market Validation

Use multiple sources to validate demand, pricing, and positioning, and engage local stakeholders for contextual insights.

5. Implement Pilot Testing and Pre-Opening Engagement

Use data and social media analytics to gauge market appetite and refine offerings before full launch.

6. Stress Test Financial Models

Evaluate cash flow under adverse conditions and include contingency plans for refinancing or restructuring debt.

7. Establish Post Review Mechanisms

Use rolling forecasts and performance triggers to monitor progress and enable timely strategic adjustments.

8. Strengthen Risk Registers

Include financial, reputational, governance, and macro-level risks, with documented mitigations to ensure a balanced view can be taken.

9. Enhance Governance Frameworks

Define roles, escalation protocols, and oversight mechanisms clearly. Embed adaptive management tools and independent scrutiny.

10. Review Partnership Roles and Responsibilities

Ensure that any delivery partner or operating company includes qualified financial leadership as part of its core team.

11. Build Internal Capacity

Invest in commercial and project management skills through recruitment, training, and partnerships to support disciplined investment management.

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