Brighton & Hove City Council

Audit & Standards Committee

Date: **17 September 2019**

Time: **4.00pm**

Venue **Council Chamber, Hove Town Hall**

Members: **Councillors:**Littman (Chair), Appich (Group Spokesperson), Hamilton, Hugh-Jones, Nemeth, Peltzer Dunn, Robins and West

Co-optees
Dr David Horne and Helen Aston

Contact: **Mark Wall**
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AGENDA

PART ONE	**Page**

18 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.

19 MINUTES **7 - 18**

To consider the minutes of the meeting held on 23 July 2019.

Contact Officer: Anoushka Clayton-Walshe

20 CHAIR'S COMMUNICATIONS

21 CALL OVER

(a) Items (24 - 29) 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.

22 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 11 September 2019;

(c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 11 September 2019.

23 MEMBER INVOLVEMENT — 19 - 20

To consider the following matter raised by councillors:

(a) **Letters:** To consider a letter regarding School Transport from Councillors Wares and Mears.

24 STRATEGIC RISK FOCUS: SR13, SR20, SR32 AND SR33 — 21 - 54

Report of the Executive Lead Officer for Strategy, Governance & Law.

Contact Officer: *Jackie Algar* *Tel: 01273 291273*
Ward Affected: *All Wards*

25 INTERNAL AUDIT PROGRESS REPORT – QUARTER 1 (1 APRIL TO 31 JUNE 2019) — 55 - 70

Report of the Executive Director for Finance & Resources.

Contact Officer: *Mark Dallen* *Tel: 01273 291314*
Ward Affected: *All Wards*

26 EXTERNAL AUDIT - UPDATE AUDIT FINDINGS REPORT 2018/19 — 71 - 76

Report of the Executive Director for Finance & Resources.

Contact Officer: *Nigel Manvell* *Tel: 01273 293104*
Ward Affected: *All Wards*

27 APPROVAL OF THE REVISED AUDITED STATEMENT OF ACCOUNTS 2018/19 — 77 - 254

Report of the Executive Director for Finance & Resources.

Contact Officer: *Nigel Manvell* *Tel: 01273 293104*
Ward Affected: *All Wards*

28 HOME TO SCHOOL TRANSPORT (PROCUREMENT ISSUE) **255 - 268**

Report of the Executive Director for Finance & Resources.

Contact Officer: *Mark Dallen* *Tel: 01273 291314*
Ward Affected: *All Wards*

29 WHISTLEBLOWING POLICY **269 - 284**

Report of the Lead Officer for Strategy, Governance & Law.

Contact Officer: *Abraham Ghebre-Ghiorghis* *Tel: 01273 291500*
Ward Affected: *All Wards*

30 STANDARDS UPDATE **To Follow**

Report of the Executive Lead Officer for Strategy, Governance & Law.

Contact Officer: *Victoria Simpson* *Tel: 01273 294687*
Ward Affected: *All Wards*

31 ITEMS REFERRED FOR COUNCIL

To consider items to be submitted to the 24 October 2019 Council meeting 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

32 ITEMS FOR THE NEXT MEETING

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FURTHER INFORMATION
For further details and general enquiries about this meeting contact Mark Wall, (01273 291006, email mark.wall@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

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Date of Publication - Monday, 9 September 2019

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

2.00pm 23 JULY 2019

MAIN HALL, PORTSLADE TOWN HALL

MINUTES

Present: Councillors Littman (Chair), Appich (Group Spokesperson), Hamilton, Hugh-Jones, Nemeth, Peltzer Dunn, West and Hill .

Independent Members present: Dr David Horne and Helen Aston.

PART ONE

1 PROCEDURAL BUSINESS

1(a) Declarations of substitutes

1.1 Councillor Hill was in attendance as a substitute for Councillor Robins.

1(b) Declarations of interests

1.2 There were none.

1(c) 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 press and public not be excluded.

2 MINUTES

2.1 **RESOLVED:** That the minutes of the previous meeting held on the 12 March 2019 be approved and signed as the correct record.

3 CHAIR'S COMMUNICATIONS

3.1 The Chair gave the following communications:

"Audit and Standards Committee is a regulatory Committee, not a policy Committee. As on a policy Committee, the elected members who serve on this Committee do represent our political parties, but much more importantly, we represent the people of the city. Our job here is to ensure the Council, including our fellow members, perform our duties appropriately on behalf of our residents. As Councillors, we are the custodians of the public purse. The residents who elect us as their representative rely on us to ensure that the funds entrusted to us are spent wisely and well. Additionally, we are required to act in a manner which does credit to our role as representatives. We are required to behave in accordance with a set of standards laid down in our code of conduct. Among other things, we must behave respectfully; not bring our office or authority into disrepute; not bully or intimidate; not improperly confer advantage or disadvantage; and uphold our equality duties. Both these requirements, financial and behavioural, are essential. Failure to uphold either is unacceptable. This year, this Committee will absolutely ensure compliance in terms of both. I hope and expect that, in a year's time, the public of Brighton & Hove will have no reason to question our commitment to either our Audit or Standards functions.

On a more specific matter; in regard of Item 12: Review of the Social Media Protocol for Members, as you may already know, I'm afraid I am not convinced that this is yet in a form which is ready for our deliberations. I strongly feel that it would benefit from further Member input. As a result, when we come to Item 12, I will be proposing a deferral in order for Officers to be given the time to consult with Members of both the Members Development Working Group and representatives of this Committee, before resubmitting the item to the next meeting of this Committee"

4 CALL OVER

4.1 The following items on the agenda were reserved for discussion:

Item 7 – Constitutional Matters
Item 8 – Strategic Risk Focus: SR2, SR10, SR18, SR25 AND SR34
Item 10 – Audited Statement of Accounts 2018/19
Item 11 – Annual Internal Audit Report 2018/19
Item 12 – Review of the Social Media Protocol for Members
Item 15 – Standards Update

4.2 The following items on the agenda with the recommendations therein had been approved and adopted:

Item 9 – Audited Statement of Accounts 2018/19
Item 13 – External Audit Annual Fee Letter 2019-20
Item 14 – Annual Governance Statement 2018-19

5 PUBLIC INVOLVEMENT

5.1 There was none.

6 MEMBER INVOLVEMENT

(c) LETTERS

6.1 The Chair stated there were two member's letters. They explained the options open to Members and stated that there would be two votes on each letter. Firstly, the Committee would be invited to note the relevant letter and secondly it would be asked whether or not it wished to request that an audit be carried out and reported back to Committee.

(i) School Transport

6.2 The Committee considered a letter from Councillors Wares and Mears requesting that the Committee commission an audit report regarding matters relating to the proposed transport contract for children with special educational needs and disabilities for vulnerable adults. The recommendations of the contract agreed on agenda Item 64, Home to School Transport for Pupils with Special Needs and Other Social Care Transport Contract, of the 11 October 2018 Policy, Resources and Growth Committee (PR&G) were not adhered to by BHCC adopting a Dynamic Purchasing System (DPS) following an agreement by the Leader of the Council and the Chair of Children, Young People and Skills Committee (CYP&S).

6.3 Councillor Wares stated that when the report had been to PR&G there had been no meaningful discussion of the recommendations facilitated by the Leader of the Council after the conditions of BHCC refusing to give any details on the consultancy contract or the business case of the contract. Members were corporate parents therefore needed oversight and this audit should be authorised before any problems occur due to the lack of scrutiny in this committee system that characterised a dictatorship in this instance.

6.4 Councillor Peltzer-Dunn agreed with the need for an audit and stated that officers would have had an opportunity to respond to the listed points in the letter since they had sight of it several weeks ago.

6.5 In response to Councillor West seeking clarification on whether the letter was suggesting inadequacies in the Constitution or a failure to follow process, Councillor Wares stated that there were no constitutional mistakes however there was no opportunity for member input at PR&G and no attempt was made to call an urgency Sub-Committee which demonstrated bad process so therefore it was now a matter for the Constitutional Working Group and the Monitoring Officer.

6.6 Councillor Hill agreed the need for an audit and noted due to the decision having only being taken by the Leader of the Council and the Chair of CYP&S and during period of a high member intake that an audit would provide comprehensive figures for them to understand the process.

6.7 Councillor Appich stated that she had received assurances that appropriate decision making, and savings had been made however agreed that now was a good opportunity to ask for an internal audit because it would add value to the process.

6.8 The Committee lawyer stated that Audit and Standards Committee did not have any decision-making powers in relation to the matters which were the subject of the letter and did not offer a means of reviewing substantive decisions taken by other committees. That said, Audit and Standards Committee had responsibility for providing assurance regarding the adequacy and effectiveness of the Council's governance arrangements. In light of this, it was within the Committee's scope to ask officers to carry out a review in to whether the Council's polities and procedure had been followed in the matters that were subject of the letter, and to bring a report to a future meeting. In terms of which officers would be best placed to carry out such a review, as Legal Services team was considered to have been involved in the relevant matters, the Internal Audit team was considered to be the best placed to carry out any review. Like other committees, Audit and Standards Committee could only commission work which was considered to fall within existing budgets. Subject to the Internal Audit team's review (if any), it might be that – if the Committee was minded to request an audit – then a desktop review with a specified brief could be the way forward.

6.9 Councillor Wares responded that the request was not limited to the constitution and that the process required a deep dive due to BHCC employing a consultant and refusing to share the details, not sharing the contract's business case and acting contrary to the decision at PR&G to not adopt a DPS contract.

6.10 The Committee voted unanimously to firstly note the report and secondly to commission a desktop audit. The report commissioned from Internal Audit was to consist of the outcome of a desktop audit limited in scope to the questions of whether the Council had correctly followed processes and procedures.

(ii) Valley Gardens Stage 3

6.11 The Committee considered a letter from Councillors Wares requesting that the Committee commission an audit report regarding matters relating to Valley Gardens stage 3.

6.12 The Chair and Councillor West declared that despite having been present at the Environment, Transport and Sustainability Committee (ET&S) on the 7 February 2019, neither considered themselves to have a conflict of interest in this item.

6.13 Councillor Wares stated that the project was originally intended to improve public spaces and active travel for the local economy however during later planning stages concerns grew as the project developed timetable pressures, funding insecurity and outgrew the brief. Without a refreshed business case the current situation left the Council dictating morphed plans despite the public and cross-party discontent.

6.14 Councillor West noted that this issue had been discussed for long time, that now due to legal challenges it was important to advance the project and expected that there would be a transparent answer to all the letter's concerns and they would benefit from an objective discussion.

6.15 Councillor Peltzer-Dunn agreed with the issues raised in the letter and said that it was essential for the Council to display transparency, which could only be addressed by commissioning an audit.

6.16 Councillor West said that he had proposed the task and finish group to scrutinise the project until completion which would have a broad enough remit to review the project to include stakeholders, cross-party membership and the terms of reference. This was agreed to not be established until the next ET&S or potentially the end of the year until the membership could be finalised, however the live project needed to progress in the meantime.

6.17 Councillor Nemeth agreed that now was the perfect time for an audit after attending meetings with local businesses and hearing their views on not properly being consulted on the process.

6.18 The Chair suggested that if an audit were commissioned then that process could feed into the terms of reference for the task and finish group. This was because a finding of either the process being followed of not would both be helpful in the terms of the future continuation of the project.

6.19 The Committee voted to firstly note the report and secondly to commission a desktop audit. The report commissioned from Internal Audit was to consist of the outcome of a desktop audit limited in scope to the question of whether the Council had correctly followed processes and procedures.

6.20 **RESOLVED:**

1) That the Audit and Standards Committee agree to commission an Audit report on the proposed transport contract for children with special educational needs and disabilities and vulnerable adults;

2) That the Audit and Standards Committee agree to commission an Audit report on the Valley Garden Stage 3 project.

7 CONSTITUTIONAL MATTERS

7.1 The Committee considered the report of the Executive Lead for Strategy Governance & Law that provided information on the Audit & Standards' Committee terms of reference and sought the committee's formal confirmation to the appointment of a Standards Panel.

7.2 In response to Councillor Hugh-Jones asking how the proposed future re-structuring of committees fit with this report, Victoria Simpson, Senior Lawyer – Corporate Law stated that the specific functions currently delegated to the Audit and Standards committee were as outlined in the terms of reference. There was not considered to be any likelihood of imminent change to this Committee's responsibilities. If that position were to change in future and proposals were to be mooted to change this Committee's responsibilities, then officers would bring a report to members on this subject.

7.3 **RESOLVED:**

1) That the Committee’s terms of reference, which are published in Part 4 of the Council’s Constitution and are set out in Appendix 1 to this report, be noted; and

2) That this Committee formally confirm the establishment of a Standards Panel in accordance with the terms of reference proposed in Appendix 1.

8 STRATEGIC RISK FOCUS: SR2, S10, SR18, SR25 AND SR34

8.1 The Committee considered the report of the Executive Lead for Strategy, Governance & Law that was presented to enable the Committee to monitor and form an opinion an opinion on the effectiveness of risk management and internal control. As part of discharging this role the committee focussed on at least two Strategic Risks (SRs) at each of their meetings. The Risk Management Lead introduced the report and the changes to the strategic risk register agreed by the Executive Leadership Team (ELT) at their most recent quarterly review. She drew Member’s attention to Table 1 which tracked changes and summarised that their remained 18 SRs in total and included the new SR for climate change, SR36.

8.2 The Chair clarified that recommendation 2.4, *Having considered Appendix 1 and any clarification and/or comments from the officers, the Committee makes any recommendations it considers appropriate to the relevant council body*, was open ended and that members could propose any additional recommendations to be voted upon.

8.3 Councillor Hugh-Jones spoke on Item 3.3, Table 1 and firstly referred to SR20 asking what the Council had planned to address unplanned budget reductions in the climate of system wide reconstruction of the Clinical Commissioning Group (CCG) to achieve integration. They secondly referred to SR2 and asked what progress the Council had made in retaining a portion of business rates to improve financial stability. They thirdly asked what progress had been made on SR32 and SR35 and lastly what the timeframe was for achieving SR36.

8.4 Officers stated that these queries would be addressed in the presentations that would follow consideration of the report itself, The Risk Management Lead agreed that the CAMMS Risk report detailing SR35 and SR 36 would be included in the minutes which could be found on the following link:

https://present.brighton-hove.gov.uk/Published/C00000699/M00009543/$$Supp31790dDocPackPublic.pdf

8.5 Councillor West asked whether the corporate plan that was currently in development would address or mitigate any or the SRs and how would it be different from the previous plans due to the alarming magnitude of the risks.

8.6 The Executive Director Finance & Resources responded that of the five SR risks which were the subject of the Risk Focus Item at this meeting, two were related to budgets and capacity and that continuing no overall political control in the authority reduced the likelihood of major policy shifts, because it was difficult to secure a majority decision that focussed on cutting one service in favour of another. Much of the risk BHCC held related to this, and the consequence of further salami-slicing as opposed to clear and strategic decision making.

8.7 Councillor West asked if the potential for the Council to reduce risks centrally relied upon removing services that could not continue to function properly and if the scenario to lose a service provision was more desirable than the risk of failure.

8.8 The Executive Director Finance & Resources responded that this was a question for all parties, including the minorities, and needed clear determination of the administration. Other local authorities who had a less favourable tax base, for example near-neighbours East Sussex Country Council, had shifted policy to deliver mainly basic services however this was not a BHCC practice to date.

8.9 Councillor Appich stated that there would be plenty of opportunity to discuss and make policies within a framework using the delivery of the new corporate strategy.

SR2: The Council is not financially sustainable

8.10 The Deputy Chief Finance Officer introduced the SR2 presentation and explained why this was a key risk which issues included the Future Social Care and Homelessness costs and demographic pressures, Economic performance of the City, 4-year Comprehensive Spending Review (2020/21 to 2023/24), Fair Funding Review, 75% Local retention of Business Rates (growth and grants), New Homes Bonus scheme, Excessive Council Tax increase legislation and Options for the long term funding of health and social care. The Deputy Chief Finance Officer described the First Line of Defence: Management Controls, the Second Line of Defence: Corporate Oversight and the Third Line of Defence: Independent Assurance.

8.11 In relation to SR2, Dr David Horne pointed out the partner risk in reference to the Clinical Commissioning Group (CCG) and other partners, such as the universities who had their own financial pressures and asked if there was a risk of the sustainability of BHCC in demand of their own resources.

8.12 The Deputy Chief Finance Officer responded that they did not yet know how the Long-Term NHS Plan would impact on the CCG and they needed to work together to tackle costs and government funding mechanisms on a member and officer level by meeting to understand the position early on.

SR10: Corporate Information Assets are inadequately controlled and vulnerable to cyber-attack

8.13 The Head of Strategy & Engagement introduced the SR10 presentation which covered the risk overview, prevention and response and recovery. The risk overview included why cyber-security was critical, the main threat factors and how 'real' the threat was. The cyber-attack prevention, response and prevention included Leadership, Governance and Technical/Operational strategies.

8.14 In relation to SR10, Councillor Appich asked why the progress scores were low and what an Access Management Project was to which The Executive Director for Finance and

Resources responded that since transferring to Orbis IT&D mitigation was a long-term project which had grown beyond what was originally expected.

8.15 In relation to SR10, the Chair asked whether BHCC would become a larger target for cyber-attacks with advancing integration and whether the Orbis partnership made the authority safer. They noted that the paper suggested that services could continue without IT&D and asked how this would be possible.

8.16 The Executive Director for Finance and Resources replied that BHCC was potentially more vulnerable with further integration with Orbis, but there was a strong business case to justify the trade-off of maintaining sustainable corporate service, and there were several methods to mitigate this and that information security would always be an existing threat. They secondly replied that services were required to have business continuity plans in place, focussing on the worst-case scenarios, and agreed that the loss of IT services would be catastrophic.

SR18: The organisation is unable to deliver its functions in a modern, efficient way due to the lack of appropriate technology

8.17 The Head of Strategy & Engagement introduced the SR18 presentation which firstly described Projects & Programmes including the Digital Organisational Programme, Digital and Major Projects, secondly Completed Projects of the Digital Organisation Programme 2018-2010 and lastly the future planned activity for projects and programmes 2019/20.

SR25: The lack of organisational capacity leads to sub-optimal service outcomes, failure to meet statutory obligations, and reputational damage

8.18 The Executive Director for Finance and Resources introduced the SR25 presentation and described the risk consequences which included partnership working becoming harder, loss of staff resilience, not being able to meet statutory requirements, difficulties in recruitment and a reduction in change capacity and explained the three lines of defence.

8.19 Councillor Hugh-Jones indicated that SR25 was not so much a risk but already in motion and secondly raised that BHCC employees on average took 10-11 sickness days per year even if this was an overall 4.43% organisational improvement from 2017/18 to 2018/19 and asked how this compared to other authorities.

8.20 The Executive Director for Finance and Resources agreed there was evidence that services were experiencing a lack in capacity and the focus was to mitigate this in the way of managing staff, utilising appropriate technology and improving budgetary decision making. The Executive Director of Finance and Resources secondly responded that other authorities and the private sector respectively averaged approximately 9 days and 5/6 sickness days lost respectively. They cited that the civil service where the figure has reduced by around 4 days over two decades as evidence that long-term approached was required.

SR34: Our People Promise ambitions may not be realised

8.21 The Executive Director for Finance and Resources introduced the SR34 presentation which addressed the People's Promise risks, mitigation, measured impact of Our People Promise and focused actions and an overview of the test results. The Executive Director for Finance and Resources also presented the sickness and equalities trend data.

8.22 In response to Councillor Nemeth asking how many employees took zero sickness days, the Executive Director for Finance and Resources agreed to provide a written answer after the meeting.

8.23 The Committee noted that the approach to present the risks with a further slides show was helpful and asked that this approach be considered for future meetings, including with a view on the resources required to do so.

8.24 **RESOLVED:**

That the Audit & Standards Committee:

1) Note in paragraph 3.3 the changes to the council's SRR as agreed at the Executive Leadership Team (ELT) on 15 May 2019.

2) Note Appendix 1 for details of SR2, SR10, SR18, SR25, and SR34.

3) Note Appendix 2: Information on the council's risk management process relative to Strategic Risks (SRs); and Suggested questions for Members to ask Risk Owners and officers on Strategic Risks.

4) Having considered Appendix 1 and any clarification and/or comments from the officers, the Committee did not to decide to make any recommendations to any other council body.

9 AUDITED STATEMENT OF ACCOUNTS 2018/19

9.1 **RESOLVED:**

That the Audit & Standards Committee:

1) Notes the findings of the auditor (Grant Thornton) in their Audit Findings Report (AFR). The AFR is a separate item on this agenda.

2) Notes the results of the public inspection of the accounts (Section 5).

3) Approves the Letter of Representation on behalf of the council (Appendix 1).

4) Approves the audited Statement of Accounts for 2018/19.

10 EXTERNAL AUDIT - AUDIT RESULTS REPORT 2018/19

10.1 The Committee considered the report of Grant Thornton that summarised the findings of the 2018/19 audit by the Council's appointed auditor, Grant Thornton, which was now substantially complete. It included the key messages that arose from the audit of the financial statements and the results of work undertaken to assess the Authority's arrangements to secure value for money in its use of its resources.

10.2 Dr David Horne welcomed the report assurances from Grant Thornton of organisational value for money that covered the BHCC SRs and financial sustainability with a continued link with health partners.

10.3 **RESOLVED:** That the Audit & Standards Committee notes the findings set out in the 2018/19 Audit Findings Report, asks questions as necessary and raises any other matters relevant to the audit of the financial statements.

11 ANNUAL INTERNAL AUDIT REPORT 2018/19

11.1 The Committee considered the report of the Executive Director for Finance & Resources that set out the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year-ended 31 March 2019.

11.2 Councillor Hugh-Jones referred to Item 5.15 and asked why the IT&D Digital Projects had been deferred until 2019/20.

11.3 The Audit Manager stated that this was due to various unforeseen reasons, for example sickness, and they were endeavouring to catch up on the project by the end of the year and to generate more pieces of work in the area.

11.4 Helen Aston referred to Item 5.15 and asked whether the bottom two audits listed, System Access Controls and Learning Disabilities, were no longer required as there was no action indicated and sought clarification on whether the overall audit plan needed to add 6-8 audits to satisfy the amendments.

11.5 The Audit Manager responded firstly that System Access Controls were a long-term project that required other actions leading to a solution to resolve local systems in council and that there had there had already been a lot of work completed on Learning Disabilities in previous years with more projects to follow. The Audit Manager secondly responded that the draft audits to be carried forward could be found on page 82 of the agenda.

11.6 The Chair referred to the Non-Schools Audit Opinions bar char on Item 5.2 and asked if the category 'No opinion' could be re-worded to a truer reflection of the option. Councillor Pelzer-Dunn added that a layperson or member of the public could struggle with the terminology and that a technical glossary should be provided.

11.7 The Audit Manager responded that 'No-opinion' was not a negative category and that this was appropriate and pragmatic when an auditor would be providing advice and services throughout a project whereby they may need to provide an opinion at checkpoint stages.

The Audit Manger secondly responded that the Audit Team strove to avoid technical jargon and were happy to provide further clarification.

11.8 **RESOLVED:**

1) That the Committee note that reasonable assurance has been given on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2019.

2) That the Committee note the assurances and improvement actions detailed on audits finalised since the last progress report to this Committee in March 2019.

12 REVIEW OF THE SOCIAL MEDIA PROTOCOL FOR MEMBERS

12.1 The Item was deferred to a future meeting.

13 EXTERNAL AUDIT ANNUAL FEE LETTER 2019-20

13.1 **RESOLVED:** That the Audit & Standards Committee note the planned audit fee for the audit of the 2018/19 financial statements as set out in the Annual Fee Letter at Appendix 1.

14 ANNUAL GOVERNANCE STATEMENT 2018-2019

14.1 **RESOLVED:**

1) That the Committee review the attached AGS and make recommendations for the Leader of the City Council and the Chief Executive.

2) To note the Leader of the City Council and the Chief Executive will be asked to confirm their agreement to the AGS by signing a hard copy of Appendix 1 which will be stored securely.

3) To note that the AGS once signed by the Leader of the City Council and Chief Executive will be published alongside the council's Annual Accounts.

15 STANDARDS UPDATE

15.1 The Committee considered the report of Executive Lead for Strategy, Governance and Law that sought to update Members on a range of Standards-related matters.

15.2 The Chair stated that standards should be taken as seriously as audit functions and they aimed to improve the standards regime and reporting through setting up a task and finish group.

15.3 **RESOLVED:**

1) That this Committee note the information provided in the Report on member complaints and on other standards-related matters.

2) That this Committee agree the proposal that an informally constituted cross-party group of members of this Committee be convened to review the report of the Committee on Standards in Public Life into Local Government Ethical Standards, with a view to reporting back to a future meeting of the Audit and Standards Committee with any recommendations it considers to be appropriate.

16 ITEMS REFERRED FOR COUNCIL

16.1 No items were referred to Full Council.

17 ITEMS FOR THE NEXT MEETING

17.1 Dr David Horne stated that there was usually an HR Annual report at the July Audit & Standards Committee and suggested that it should come to a future meeting. This was relevant because the council development programme was referenced earlier in the meeting and the Committee should oversee actions delivered from committee recommendations.

The meeting concluded at 4.30pm.

Signed Chair

Dated this day of

Geoff Raw – Chief Executive
Brighton & Hove City Council

4th September 2019

Dear Geoff

We are submitting this letter under Council Procedure Rule 23.3 to be included on the agenda for the Audit and Standards Committee meeting of 17th September 2019.

At our request, Committee authorised an audit into matters relating to school transport based on the reasons outlined in our letter dated 2nd July. Cllr. Wares had one meeting with the Audit team on 6th August 2019 to explain the audit request and answer any questions.

We understand that on the 17th September, the audit report will be presented to Committee for consideration. Other than the meeting referred to above we have had no briefings on the findings/ recommendations, no advance copy of the report and no invitation to attend Committee to be able to speak to the report or even just to be told what it says.

Several of our initial concerns related to the lack of information being shared with Members, the lack of transparency, the secrecy and the outright disregard of the role of Councillors by the Administration and Council.

This disregard was further epitomised following Policy, Resource & Growth Committee on 11th July 2019 when we raised a series of questions during the debate on the item seeking endorsement of the use of urgency powers. During the debate we were prevented from asking questions that may have provoked further debate and questions and potentially led to a different decision being reached. Instead, we were directed to ask the questions following which the Director and Administration would provide answers. Almost eight weeks later no answers have been provided.

We contest that the Council with the Administration seem to be choosing to obscure the issues and resist being transparent and open to scrutiny. The manner in which the audit report is being published, denying the requestors any chance to scrutinise and compile a considered representation, seems to be designed to further keep the matter secret and away from Member and public scrutiny which is not consistent with the principles for decision making in article 11 of the constitution, including the presumption in favour of openness.

To that end, we have no faith, given the circumstances, that the audit report can be truly considered independent and therefore request that this Committee instructs the matter be investigated by an external body. If constitutionally we were entitled to ask for a Public Enquiry, we would. This is not to question the professionalism of the audit investigation team involved, but we believe the circumstances within which the report is being prepared are not conducive to independent scrutiny.

It is also our intention to take further advice with a view to reporting the initial concerns and the audit to the Local Authority Ombudsman.

As the Committee charged with overseeing compliance with the code of Corporate Governance, a key aspect of which includes appropriate adherence to the constitutional decision-making processes, we would urge the Committee to commission this third party audit so that it can either satisfy itself that everything is being done properly or that any shortcomings are addressed.

Yours sincerely

Cllrs. Lee Wares and Mary Mears

AUDIT & STANDARDS COMMITTEE	Agenda Item 24 Brighton & Hove City Council

Subject:		**Strategic Risk Focus: SR13, SR20, SR33 and SR32**	
Date of Meeting:		**17 September 2019**	
Report of:		**Executive Lead for Strategy, Governance & Law (Monitoring Officer)**	
Contact Officer:	**Name:**	**Jackie Algar**	**Tel: 01273 291273**
	Email:	**jackie.algar@brighton-hove.gov.uk**	
Ward(s) affected:		**(All Wards);**	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The Audit & Standards Committee has a role to monitor and form an opinion on the effectiveness of risk management and internal control. As part of discharging this role the Committee focuses on at least two Strategic Risks at each of their meetings.

1.2 This report also provides the Committee with details of any changes to the city council's Strategic Risk Register (SRR) last reviewed by the Executive Leadership Team (ELT) on 14 August 2019.

1.3 The Strategic Risk Focus is based on detail provided in Appendix 1 of this report which records the actions taken (existing controls) and future actions (risk actions) to manage these strategic risks.

1.4 The officers available to answer Members' questions will be Rob Persey, Executive Director Health & Social Care, for SR13, SR20 and SR33 and for SR32, David Kuenssberg, Executive Director Finance & Resources.

2. RECOMMENDATIONS:

That the Audit & Standards Committee:

2.1 Note in paragraphs 3.3 the changes to the council's SRR as agreed at ELT on 14 August 2019.

2.2 Note Appendix 1 for details of SR13, SR20, SR33 and SR32.

2.3 Note Appendix 2 'Information on the council's risk management process relative to Strategic Risks (SRs); and Suggested questions for Members to ask Risk Owners and officers on Strategic Risks'.

2.4 Having considered Appendix 1 and any clarification and/or comments from the officers, the Committee makes any recommendations it considers appropriate to the relevant council body.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 The SRR details the current prioritised risks which may affect the achievement of the council's Corporate Plan purpose, including in relation to its work with other organisations across the city. It is reviewed and agreed by ELT quarterly after DMT reviews which include discussions of their individual Directorate Risk Lists which influence Directorate service activity through delivery of Directorate Plans.

3.2 Appendix 2 is intended to provide information on the council's risk management process relative to Strategic Risks (SRs) and is attached as a separate appendix in order to provide background reference and enable Members to focus on the changes to the SRR and any changes to the risk management process by the ELT.

3.3 Summary of changes to the SRR as a result of the ELT review on 14th August 2019.

The SRR is a public document which is supported by data collected on CAMMS Risk, a module of CAMMS Strategy. A detailed report is provided at Appendix 2 but below is Table 1 showing the current 18 Strategic Risks in order of the highest Revised Risk score as agreed after ELT on 14 August 2019 and informed by Directorate Risk Management risk review sessions in June – July 2019.

As a result of ELT's review note that:

i. no risks were removed or added;

ii. a Revised Risk Score was agreed for SR36 due to formulation of further actions. No other risk scores were changed;

iii. the title of SR20 is shortened from its previous risk title as reported to Committee on 23 July 2019 which was:

'Inability to integrate health and social care services at a local level to the agreed timescales has been primarily caused by both unplanned budget reductions impacting upon council budgets and services and system wide restructuring of Clinical Commissioning Groups (CCGs) across Sussex which has distracted attention from the local position'.

Table 1 Strategic Risks

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I) & Direction of Travel (DOT)	Revised Risk Score Likelihood (L) x Impact (I) & DOT	Committee & Chair	Risk Owner
SR20	Failure to achieve health and social care outcomes due to organisational and resource pressures on the Clinical Commissioning Group (CCG) and Brighton & Hove	5 x 4 ◄► RED	4 x 4 ◄► RED	Health & Wellbeing Board – Cllr Moonan	Executive Director, Health & Adult Social Care

	City Council (BHCC)				
Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I) & Direction of Travel (DOT)	Revised Risk Score Likelihood (L) x Impact (I) & DOT	Committee & Chair	Risk Owner
SR2	The Council is not financially sustainable	5 x 4 ◀▶ RED	4 x 4 ◀▶ RED	Policy & Resources Committee – Cllr. Platts	Executive Director, Finance & Resources
SR32	Sub-standard health & safety measures lead to personal injury, prosecution, financial losses and reputational damage	5 x 4 ◀▶ RED	4 x 4 ◀▶ RED	Policy & Resources Committee – Cllr. Platts	Executive Director, Finance & Resources
SR33	Not providing adequate housing and support for people with significant and complex needs	4 x 4 ◀▶ RED	3 x 4 ◀▶ AMBER	Health & Wellbeing Board – Cllr. Moonan Housing & New Homes Committee – Cllr. Allcock	Executive Director, Health & Adult Social Care
SR18	The organisation is unable to deliver its functions in a modern, efficient way due to the lack of appropriate technology	4 x 4 ◀▶ RED	3 x 4 ◀▶ AMBER	Policy & Resources Committee – Cllr. Platts	Executive Director, Finance & Resources
SR10	Corporate Information Assets are inadequately controlled and vulnerable to cyber attack	4 x 4 ◀▶ RED	4 x 3 ◀▶ AMBER	Policy & Resources Committee – Cllr. Platts	Executive Director, Finance & Resources
SR35	Unable to manage serious risks and opportunities resulting from the impact of Brexit on the local and regional society and economy	4 x 4 ◀▶ RED	4 x 3 ◀▶ AMBER	Policy & Resources Committee – Cllr. Platts	Executive Lead Officer, Strategy, Governance & Law

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I) & Direction of Travel (DOT)	Revised Risk Score Likelihood (L) x Impact (I) & DOT	Committee & Chair	Risk Owner
SR36	Not taking all actions required to address climate and ecological change, and making our city carbon neutral by 2030	5 x 4 ◀▶ RED	4 x 4 NEW RED	Environment, Transport & Sustainability Committee – Cllr. Pissaridou	Executive Director, Economy, Environment & Culture
SR13	Not keeping Vulnerable Adults Safe from harm and abuse	3 x 4 ◀▶ AMBER	3 x 3 ◀▶ AMBER	Health & Wellbeing Board – Cllr. Moonan	Executive Director, Health & Adult Social Care
SR21	Unable to manage housing pressures and deliver new housing supply	3 x 4 ◀▶ AMBER	3 x 3 ◀▶ AMBER	Housing & New Homes Committee – Cllr. Allcock	Executive Director, Neighbourhoods, Communities & Housing
SR25	The lack of organisational capacity leads to sub-optimal service outcomes, failure to meet statutory obligations, and reputational damage	3 x 4 ◀▶ AMBER	3 x 3 ◀▶ AMBER	Policy & Resources Committee – Cllr. Platts	Executive Director, Finance & Resources
SR24	The impact of Welfare Reform increases need and demand for services	4 x 3 ◀▶ AMBER	3 x 3 ◀▶ AMBER	Policy & Resources Committee – Cllr. Platts	Executive Director, Finance & Resources
Risk No.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I) & Direction of	Revised Risk Score Likelihood (L) x Impact (I) & DOT	Committee & Chair	Risk Owner

		Travel (DOT)			
SR23	Unable to develop and deliver an effective Investment Strategy for the Seafront and ensure effective maintenance of the seafront infrastructure	3 x 4 ◀▶ AMBER	3 x 3 ◀▶ AMBER	Environment, Transport & Sustainability Committee – Cllr. Pissaridou Tourism, Equalities, Communities & Culture – Cllr. Robins	Executive Director, Economy, Environment & Culture
SR26	Not strengthening the council's relationship with citizens	3 x 4 ◀▶ AMBER	3 x 3 ◀▶ AMBER	Tourism, Equalities, Communities & Culture Committee– Cllr. Robins	Executive Director, Neighbourhoods, Communities & Housing
SR29	Ineffective contract performance management leads to sub-optimal service outcomes, financial irregularity and losses, and reputational damage	3 x 4 ◀▶ AMBER	3 x 3 ◀▶ AMBER	Policy & Resources Committee – Cllr. Platts	Executive Director, Finance & Resources
SR30	Not fulfilling the expectations of residents, businesses, government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment	3 x 4 ◀▶ AMBER	3 x 3 ◀▶ AMBER	Policy & Resources Committee – Cllr. Platts	Chief Executive
Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I) & Direction of Travel (DOT)	Revised Risk Score Likelihood (L) x Impact (I) & DOT	Committee & Chair	Risk Owner

SR34	Ambitions to improve offer for staff which have been stated in Our People Promise may not be realised	3 x 4 ◀▶ AMBER	2 x 3 ◀▶ YELLOW	Policy & Resources Committee – Cllr. Platts	Executive Director, Finance & Resources
SR15	Not keeping Children Safe from harm and abuse	3 x 4 ◀▶ AMBER	2 x 3 ◀▶ YELLOW	Children, Young People & Skills Committee – tbc	Executive Director, Families, Children & Learning

3.4 Appendix 2 provides 'Information on the council's risk management process relative to Strategic Risks (SRs) and Suggested questions for Members to ask Risk Owners and officers on Strategic Risks'. It is intended to assist Members to scrutinise the information in Appendix 1 and ask questions of the Strategic Risk Owners and officers in order to assist Members on their assurance role at this Committee.

4. FINANCIAL & OTHER IMPLICATIONS

Financial Implications

4.1 For each Strategic Risk there is detail of the actions already in place ('Existing Controls') or work to be done as part of business or project plans ('Risk Actions') to address the strategic risk. Potentially these may have significant financial implications for the authority either directly or indirectly. The associated financial risks are considered during the Targeted Budget Management process and the development of the Medium Term Financial Strategy.

Finance Officer Consulted: James Hengeveld *Date: 08/08/2019*

Legal Implications

4.2 Members of this Committee are entitled to any information, data and other evidence which they consider will enable them to reach an informed view regarding whether the council's Strategic Risks are being adequately managed. The Committee may make recommendations based on any conclusions it comes to.

4.3 The individual Strategic Risks which are focused on in this Report may potentially have legal implications. Where those implications are of a direct nature, they are noted in the Report or in the appendices to it.

Lawyer Consulted: Victoria Simpson *Date: 28/08/2019*

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1: Strategic Risk Focus report: SR13, SR20, SR33 and SR32.

2. Appendix 2: Information on the council's risk management process relative to Strategic Risks (SRs) and Suggested questions for Members to ask Risk Owners and officers on Strategic Risks.

Brighton & Hove City Council

Appendix 1: Strategic Risk Focus Report: SR13, SR20, SR33 and SR32

Print Date: 28-Aug-2019

Initial Rating

LIKELIHOOD \ IMPACT	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	0	0	0	1	0
Likely (4)	0	0	0	2	0
Possible (3)	0	0	0	1	0
Unlikely (2)	0	0	0	0	0
Almost Impossible (1)	0	0	0	0	0

Revised Rating

LIKELIHOOD \ IMPACT	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	0	0	0	0	0
Likely (4)	0	0	0	1	0
Possible (3)	0	0	1	2	0
Unlikely (2)	0	0	0	0	0
Almost Impossible (1)	0	0	0	0	0

1 - 3	4 - 7	8 - 14	15 - 25
Low	Moderate	Significant	High
Monitor periodically	Monitor if the risk levels increase	Review and ensure effective controls	Immediate action required & need to escalate to the management level above

Risk Details

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR13	**Not keeping vulnerable adults safe from harm and abuse**	Executive Director Health and Adult Social Care Assistant Director - Integrated Services Head of Adult Safeguarding	BHCC Strategic Risk, Legislative	10/06/14	Threat	Treat	Amber L3 x I4	Amber L3 x I3		Revised: Uncertain

<u>Causes</u>

Link to Corporate Plan: Our Purpose – A Good Life; Ensuring a City for all ages, inclusive of everyone and protecting the most vulnerable.
Keeping vulnerable adults safe from harm and abuse is a responsibility of the council. Brighton & Hove City Council has a statutory duty to co-ordinate safeguarding work across the city and the Safeguarding Adults Board. This work links partnerships across the Police and Health and Social Care providers.
Under the Care Act, since 2015, the Local Authority has a statutory duty to enquire, or cause others to enquire, if it believes a person with care and support needs is experiencing or is at risk of harm and abuse and cannot protect themselves. In 2017/18 809 safeguarding enquiries were completed by the adult assessment service, similar data for 2019/20 is being finalised.
The Care and Support Statutory Guidance makes requirements regarding 'Making Safeguarding Personal' setting expectations for safeguarding work to be 'person led and outcomes focussed.'

<u>Potential Consequence(s)</u>

* Failure to keep vulnerable adults safe from harm or abuse will pose risk to vulnerable citizens
* Failure to meet statutory duties could result in legal challenge
* Failure to respond to a more personalised approach could result in challenge
* Inadequate budget provision could result failure to meet statutory requirements

<u>Existing Controls</u>

First Line of Defence: Management Controls
1. Local Safeguarding Adults Board (LSAB) work plan established, with independent leadership, with aligned LSAB sub group work plans
2. Multi agency safeguarding adult procedures in place, for preventing, identifying, reporting and investigating allegations of harm and abuse, in line with Care Act requirements and endorsed by all 3 Sussex Safeguarding Adults Boards. Continuous professional development plan in place for social work

qualified staff, including a training programme and Practice Development Groups, for Care Act and Mental Capacity Act requirements. Impact of assessment staff training monitored through Audit Moderation panel and Statutory Duties Training Group.
3. For Adult Social Care (ASC) staff who have contact with vulnerable people, Safeguarding Awareness Training is Mandatory, and uptake is monitored through the LSAB Self Assessment submission.
4. BHCC Quality Monitoring Team oversee process in place to monitor quality of adult social care providers, in partnership with Clinical Commissioning Group (CCG), and Care Quality Commission (CQC).
5. Violence Against Women and Girls training programme available for LSAB member organisations, and ASC Assessment Service staff enabled to attend.
6. Dedicated Principal Social Work post for adult services, ensuring well trained, motivated social work service, meeting continuous professional development requirements in line with Social Work Professional Capabilities Framework, including expectations for professional supervision.
7. Senior Social Work/Operational Management authorisation of all Mental Capacity assessments undertaken in ASC Assessment Service.
8. Named Enquiry Supervisor for all Safeguarding Enquiries undertaken in ASC Assessment Service.
9. Deprivation of Liberty Safeguards (DoLS) Team to lead and co-ordinate all DoLS referrals in line with statutory requirements.
10.Approved Mental Health Practitioner (AMHP) Operations Manager overseeing the AMHP Team, to meet all relevant statutory requirements. This includes review (with SPFT) of demands on the service in light of changes to S136 legislation.
11. A range of materials and offers to signpost people to help inform good safeguarding is available e.g. on LSAB and Council website, safeguarding adult section.

Second Line of Defence: Corporate Oversight
1. Quality Assurance across key agencies, monitored by the Independently Chaired LSAB, with annual progress report on the LSAB work plan published.
2. Multi agency, and single agency safeguarding audits undertaken. The Safeguarding Adult Review sub group of the LSAB continues to meet monthly, and considers referrals for Safeguarding Adult Reviews, as well as looking at relevant coroner's rulings for the area.
3. Quarterly audit framework for adult social work service monitoring safeguarding enquiry practice are monitored by Audit Moderation Panel, and Corporate Performance Indicator (KPI) to monitor number of Safeguarding Enquiries not meeting Practice Standards.
4. Care Governance Board overseeing Quality Monitoring and is attended by the CQC who share information which enables local risks to be considered and assessed.
5. Learning from Safeguarding Adult Reviews (SARs), monitored through SAR sub group of the LSAB.
6. Yearly Social Work Health Check undertaken jointly by Principal Social Workers in both Adult Social Care; and Families, Children & Learning
7. LSAB Independent Chair meets quarterly with Chief Executive
8. LSAB annual report to Health and Wellbeing Board, includes statutory progress report on LSAB work plan.
9. Pan Sussex Safeguarding adults procedures group, meets quarterly, to review and update Sussex Safeguarding Adults procedures regularly, ensuring they are legally compliant and responsive to local and national practice development and learning.
10. Dols Governance/Mental Health Act Group, meets quarterly, attended by Assistant Director and Head of Adult Safeguarding, to ensure activity under DOLs and the Mental Health Act is quality assured, meets legal requirements, and activity is delivered with an efficient use of resources.
11. Departmental Management Team and HASC Modernisation Board oversee developments and monitor risks to Department.
12. Working with ADASS (association of directors of adult social services) on monitoring the impact of DoLs work to Local Authorities following the Supreme Court ruling in 2014 (P v Cheshire West Council and P&Q v Surrey County Council).

13. Joint service improvement panels with partners, including the CCG, share inspection results, complaints and other issues.

Third Line of Defence: Independent Assurance
1. For the council's in-house registered care services CQC Inspections on an on-going regular basis. Information on council website re. inspection results: https://www.brighton-hove.gov.uk/content/social-care/getting-touch-and-how-were-doing/adult-social-care-inspection-reports-council
2. CQC's programme of inspections of all registered care providers are published weekly and available on CQC's website www.cqc.org.uk. These are monitored for local relevance by the council's Quality Monitoring team managed by the Head of Adult Safeguarding.
3. Safeguarding referrals through the Adult Social Care's 'Access Point', the point of public contact for issues relating to Adults, can be made by anyone including other professionals, GPs, Police, neighbours, friends. Access Point safeguarding referrals are assessed by Senior Social Workers.

Reason for Uncertainty in Effectiveness of Controls: Despite efforts there are no guarantees that there will not be incidents.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Continue to learn from Safeguarding Adult Reviews, coroners inquests and case reviews	Head of Adult Safeguarding	55	31/03/20	01/04/15	31/03/20

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date

Comments: A Safeguarding Adults Review was undertaken (called SAR X), written by an Independent Author commissioned by the Local Safeguarding Adults Board (LSAB) following the death of a person who was homeless, who was at times not engaging with support agencies, and with a Personality Disorder. The review was commissioned by the LSAB in April 2016.
The SAR Sub Group of the LSAB (Chaired by B&H HealthWatch) has finalised the SAR X Action plan.
The SAR X Action Plan is reviewed and monitored via the SAR Sub Group, which reports to the LSAB. The SAR Sub Group will monitor the completion of the Action Plan. Last reviewed at the SAR Sub Group 18/03/2019 and noted to be completed.
SAR X summary is published on the LSAB website http://brightonandhovelscb.org.uk/safeguarding-adults-board/safeguarding-adults-reviews/.
A briefing regarding SAR X has been completed, and has been circulated to all LSAB member organisations for staff awareness.

A multi agency audit has been completed by the LSAB regarding adherence to requirements of the Mental Capacity Act. An Action Plan has been drawn up from this audit, which has agreed at the Quality Assurance Sub Group of the LSAB on 21/01/2019. Progress on the Action Plan is be monitored through the Quality Assurance Sub Group and reported to the LSAB, and is noted as on target for completion.

An audit regarding adherence to Making Safeguarding personal principles is being planned to be undertaken June 2019. An update eon progress will be reported to the next Quality Assurance Sub Group on 29/07/2019.

All 3 Sussex Safeguarding Boards have committed to SCIE Learning Review methodology, and a number of SAB member shave attended training on this in order to become reviewers. The B&H SAB will be updated on the progress of this in Sept 2019.

Develop and deliver Advance level Safeguarding training for senior and experienced social workers	Head of Adult Safeguarding	50	31/03/20	01/06/18	31/03/20

Comments: Delivery of training started 26th March 2019. Roll out is monthly for six months. Course content has been developed in consultation with the assessment team. This course is for senior and experienced social workers, focussing on complex safeguarding cases. Monitoring of the take up and effectiveness of this course will be through the Statutory Duties Training Group, chaired by the Principal Social Worker. The target for delivery is 80% of all staff who require it by 31/3/20.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Monitor progress of legislative change from DoLS to Liberty Protection Safeguards	Head of Adult Safeguarding	50	31/03/20	01/04/19	31/03/20
Comments: The timescale for changes to legislation is unclear. A group is established with initial meetings scheduled to monitor the progress and outcome of legal change and plan for transition. Initial meeting held March 2019, with follow up meeting planned August 2019. Briefing completed by the Deprivation of Liberty Safeguards Team Manager of new requirements to the new meeting.					
Performance Indicator for assessment service staff attendance on core training sessions to be monitored through the Statutory Duties Training Group.	Head of Adult Safeguarding	60	31/03/20	20/01/17	31/03/20
Comments: Lead Enquiry Officer (LEO) training for safeguarding adults was developed by the Professional Standards and Safeguarding Team, to build on training rolled out in 2015 when the Care Act started, and on on-going Practice Development Groups. From July 2017 a two day training course is delivered every two months, facilitated by Practice Managers in the Safeguarding and Professional Standards Team. The sessions have been fully subscribed to and were well received by attendees as they felt it would support their practice. The position by January 2019 is that that every social worker undertaking the Lead Enquiry Officer role has completed the new training and the expectation is that that all new postholders will undertake the training when in post. The training content and coverage is monitored via the Statutory Duties Training group, chaired by the Principal Social Worker for Adults.					
Programme of Prevent training to be rolled out to all Assessment Service staff in contact with citizens, Senior Social Workers and Operations Managers, and Registered Managers of provider services. All relevant staff to have attended training.	Head of Adult Safeguarding	70	30/10/19	20/01/17	31/10/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Comments: 97 staff have been trained so far, which is 65% of the target workforce (150). Further courses are planned throughout 2019. The aim had been for full completion by April 2019. Unfortunately due to staff undertaking the training having moved roles, we have been delayed in completing this action. 3 staff have been identified to undertake the training, and they are awaiting the opportunity to undertake the training course which will then enable them to deliver this training to HASC staff so that we can then complete the training target. In the interim all staff have been requested to complete the Home Office Prevent e-learning training, and a reminder of this has gone to HASC staff through the 'In the Loop' communication newsletter. The Quality Monitoring Team has had a training session by the Prevent Lead, and are incorporating leaning from this into their quality audit visits of commissioned adult social care providers.					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR20	**Failure to achieve health and social care outcomes due to organisational and resource pressures on the Clinical Commissioning Group (CCG) and Brighton & Hove City Council (BHCC)**	Executive Director Health and Adult Social Care Head of Adult Social Care Commissioning Assistant Director - Integrated Services	BHCC Strategic Risk, Economic / Financial	14/08/2019	Threat	Treat	Red L4 x I4	Amber L3 x I4		Revised: Uncertain

<u>Causes</u>

Link to Corporate Plan Priority 3: Health and wellbeing
The high level Health & Wellbeing Strategy was formally adopted in March 2019 however there are still policy decisions that will need to considered by the new council administration and fed through the Health & Wellbeing Board (HWB). The systems to deliver improved collaboration are made up of a number of organisations outside the council and there are competing drivers including budget and performance challenges which have been difficult to align. There are wider changes in National Health Service (NHS) structures, e.g. the NHS geographical boundaries which are still a work in progress, have implications for an already complex health care system.

<u>Potential Consequence(s)</u>

If parties do not work together as effectively as required, or organisation's priorities change, it will affect delivery of performance targets. Any failure of delivery across the health and care system could impact on costs and pressures throughout the system and frustrate attempts to release efficiency savings and improve system performance.

<u>Existing Controls</u>

First Line of Defence: Management Controls
1. The CCG operates across 6 Clusters. From April 2017 three Social Care District teams support these Clusters so that social care operational work is aligned.
2. Better Care Board established (high level and cross sector representation) and co-chaired by Executive Director Health & Adult Social Care and CCG Director of Commissioning, with oversight by Health & Wellbeing Board.
3. Finance and Performance Board monitors spend and performance.
4. Health & Social Care Partnership Board (HSCPB) jointly chaired by CCG and BHCC meets monthly to identify and collaboratively plan for service delivery
5. Health & Wellbeing Strategy adopted in March 2019.
6. Considerable collaborative operational working is being delivered within both the hospital social work teams and district adult social care teams (specifically east team working with CCG Cluster 6).

Second Line of Defence: Corporate Oversight
1. Health & Wellbeing Board reviewed and governance arrangements in place to help deliver a collaborative approach, including oversight of the Better Care Plan.
2. Better Care Plans in place. Section 75 signed off at the end of March 2018 and cover up to April 2020.
3. Partnership work agreed and submitting an annual Better Care Plan since the deadline in March 2014. Revised Better Care plan for 2017-19 submitted and approved.

38

Third Line of Defence - Independent Assurance
1. NHS England signed Better Care Plan, submitted Nov 2017 (approved with 2 conditions, addressed).
2. Quarterly Better Care submissions to NHS England ongoing. There has not been any challenge back from NHS England.
3. Internal Audit - No specific Internal Audit work in 2017/18. In 2016/17 internal audit work reviewing the Better Care Fund gave Limited Assurance. of Controls - Partners' budgets are often determined by Government.

Reason for Uncertain status of Effectiveness of Controls - This risk is affected by changes affecting a number of organisations which contribute to the health care system.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Develop 2nd Tier of Mental Health Integrated Services with Sussex Partnership Foundation Trust (SPFT) to involve BHCC staff being seconded to SPFT within the framework for the revised S75 agreement.	Assistant Director - Integrated Services	75	31/03/20	01/04/16	31/03/20

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Comments: All relevant BHCC social worker staff already seconded and working alongside SPFT. We have signed off a new S75 agreement with SPFT through to 2020. Final S75 agreement approved by HW Board 30/6/18.					
Further develop and simplify Integrated Discharge Pathways with service users and their families, involving partners Brighton and Sussex University Hospitals NHS Trust (BSUH), SCFT, CCG, Independent Providers, Third Sector and other local authorities.	Assistant Director - Integrated Services	50	31/03/20	01/04/16	31/03/20
Comments: HASC re-structure of Social Work teams aligned to new pathways was completed in December 2018. Further pathway re-alignment/simplification with partners has been requested. Workshops are planned from April 2020. Previous update - HASC's Assistant Director, Integration represents BHCC to develop this work to enable efficiency, a person centred approach and reduce duplication. An operational group meets (CUCORG) and reports to the Accident & Emergency (A&E) Delivery Board; Progress is also monitored through CATO (Caring Together). A co-produced progress update report was reported to the Accident & Emergency (A&E) Delivery Board on 28 June 18.					
Further integration with Primary Care Clusters	Assistant Director - Integrated Services	55	31/03/20	01/04/16	31/03/20
Comments: Meetings have taken place between the Health & Social Care Integration Board and representatives of the Clinical Commissioning Group (CCG). Development of further collaborative programmes of work as directed by the Board have received support from the council's Corporate Programme Management Office. Pilot model of integration underway in Cluster 6 with a view to then rolling out to other Clusters.					

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Partner review of the admissions process to residential units from hospital care to reduce the risk of unstable clients entering a residential unit with changed needs post admission.	Assistant Director - Integrated Services	100	15/04/19	26/10/18	15/04/19
Comments: Clients transferred from hospitals may present increased complex needs after initial entry to a residential care home. Partners, including staff in the residential units as appropriate, have worked together to review the care pathway. A revised admissions process was agreed and is operating from mid-April 2019.					
Plan Admission Avoidance with SPFT to extend delivery of social care responsibilities and enable more effective services	Assistant Director - Integrated Services	10	31/03/20	02/01/18	31/03/20
Comments: Work with partners across the city with the SPFT and NHS colleagues. This will enable an admission avoidance programme which is led by CCG and involves SPFT and BHCC with aim to enable a reduction in admission to acute hospital. From November 2017 social care staff moved into the Sussex Community Trust premises to form the Referral Management Hub which has delivered and continues to improve outcomes.					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR33	**Not providing adequate housing and support for people with significant and complex needs**	Executive Director Health and Adult Social Care Head of Adult Social Care Commissioning Assistant Director - Integrated Services Head of Adult Safeguarding	BHCC Strategic Risk	14/08/19	Threat	Treat	Red L4 x I4	Amber L3 x I4		Revised: Adequate

Causes

Link to Corporate Plan: Our Purpose - A Good Life; Ensuring a City for all ages, inclusive of everyone and protecting the most vulnerable.
Lack of affordable housing within the city and housing benefit changes
Unclear needs assessment for clients in this group and likely demand
Cross planning across organisations and services is complex
Services are not able to cope with demand

Potential Consequence(s)

People are placed in inappropriate accommodation which may present a danger or risk to them or others
People may not get the appropriate services and support to address their needs
Placing people in unsuitable accommodation for their needs
Failure to review ongoing needs of individuals and their family once initially housed
Clients are not supported appropriately
Public services deal with the effect, e.g. hospital admissions, anti-social behaviour, self-harm
Increased financial pressures are ongoing
Outcomes for services and clients are not achieved

Existing Controls

First Line of Defence - Management Controls
Housing Strategy.
Rough Sleeping Strategy.
Greater cross-directorate recognition of pressures and delivery issues between housing and adult social care led by Executive Directors (EDs) and senior officers.
Commissioning process for rough sleeping and single homeless persons has reached a conclusion and the services will be commissioned and reviewed.
Agreement at Strategic Accommodation Board (SAB) to start transition planning five years earlier to ensure there is sufficient lead time to create the necessary provision.

Second Line of Defence - Corporate Oversight
1. Strategic Accommodation Board is a cross-council group, meeting bi-monthly, chaired by ED HASC and is formed of ED Neighbourhood, Communities & Housing (NCH), senior directorate representatives to supplement housing strategy and enable focus on vulnerable adults and children. Strategic action plan now being developed focussing upon available council sites and Clinical Commissioning Group (CCG) also attend as co-strategic partner.
2. Rough Sleeping Strategy Board, cross organisational meets quarterly, chaired by Head of Policy & Partnerships on behalf of City Management Board.
3. Safeguarding Adults Partnership Board (SAPB) learning from current cases escalated by officers or others e.g. the Local Government & Social Care Ombudsman (LGSCO).
4. Health & Wellbeing Board; Housing Committee.

Third Line of Defence - Independent Assurance
1. Independently chaired Local Safeguarding Adults Board meets quarterly and provides an annual report to the Health & Wellbeing Board.
2. Independently chaired Local Safeguarding Children Board meets quarterly and provides an annual report to the Health & Wellbeing Board.
3. Internal Audit - This is risk was agreed March 2018. No specific Internal Audit work.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Conduct in-depth Joint Strategic Needs Assessment on people with multiple and complex needs agreed as a priority by Health & Wellbeing Board (March 2018).	Director of Public Health	58	31/10/19	02/07/18	31/10/19

Comments: Health & Wellbeing Board approved 2018/19 programme. Consultant in Public Health leading the project. Multiagency steering group and associated research underway.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Develop and roll out communication with Tier 4 managers to be aware of role of the Safeguarding Adults Partnership Board (SAPB) to improve escalation cases and referrals for Safeguarding Adults Reviews	Executive Director Health and Adult Social Care	10	31/03/20	12/07/18	31/03/20
Comments: This work has been agreed by ED HASC and is raised at SAB for further input.					
Ensure our overall customer service is compliant with Homeless Code of Guidance and our Housing Allocations Policy, including close working with Adult Social Care and / or Children, Families & Schools so we have a holistic view of the overall household needs and any Adult Social Care (ASC)/ Children's & Families (CFS) accommodation or other duties that may apply	Assistant Director Housing	0	31/03/20	01/08/19	31/03/20
Comments: New actions recently inserted, progress updated will be provided as part of the next risk review cycle					
Ensure our timely provision of appropriate Temporary Accommodation via Housing, within our commissioning of any specialist accommodation whereby we have a joint discussion on city housing needs and accommodation requirements for specialist housing groups via Strategic Accommodation Board	Assistant Director Housing	0	31/03/20	01/08/19	31/03/20
Comments: New actions recently inserted, progress updated will be provided as part of the next risk review cycle					
HASC and Housing working on development of joint Homeless & Rough Sleepers Strategy	Executive Director Health and Adult Social Care	10	31/12/19	01/04/19	31/12/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Comments: This work is at an early stage and will be reflected in the HASC Directorate Plan.					
Needs Assessment using Public Health data and other intelligence to inform adult social care commissioning - demands analysed, resource availability and reported to Strategic Board and communicated to provider market and partners to develop capacity	Head of Adult Social Care Commissioning	30	31/10/19	01/02/18	31/10/19
Comments: We continue to develop a Commissioning Strategy to ensure we have the right services to meet needs. January 19 Update - Some analysis provided to Strategic Accommodation Board, e.g. implementation agreed Learning Disability accommodation review undertaken and reported to Health & Wellbeing Board on 6/3/18. The HASC Directorate Plan contains action on the Market Position Statement as a priority. The Market Position Statement will be reported to Health & Wellbeing Board in Q4 2019. An older peoples accommodation needs assessment has also been commissioned through Housing Lin and this will report in by End of August 2019. This will be valuable to support both commissioning and planning/development opportunities that might arise or be proposed.					
Review and align the current Rough Sleeping and Homelessness Strategies into a single plan.	Head of Adult Social Care Commissioning	25	31/12/19	01/04/19	31/12/19
Comments: - Council approval and publication of the new strategy – Dec 19 - KPI - Number of people who cease to become rough sleeping, now in sustainable accommodation [Corporate - City] - Joint measure to be developed with NCH to measure numbers of people prevented from becoming homeless/rough sleepers by May 19 - This work is to commence shortly with resource from both NCH and HASC being identified. A new rough sleeper coordinator has now been appointed and this role will be involved in taking this work forward.					

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Service Review of inhouse hostel provision now links to the Supported Accommodation review to develop improvements and meet future needs	Head of Adult Social Care Commissioning	30	31/10/19	01/04/19	31/10/19

Comments: The scoping of this review is underway, working with the CCG and relevant partners. Progress reports will be reported to SteerCo-Sustainable Social Care; and the Accident & Emergency Delivery Board.
Organisation has now been commissioned (Homeless Link) and kick start of meeting took place at end of July 2019.

Risk Details

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR32	**Sub-standard health & safety measures lead to personal injury, prosecution, financial losses and reputational damage**	Executive Director of Finance & Resources Head of Human Resources & Organisational Development Head of Health and Safety Compliance and Transformation Manager	BHCC Strategic Risk	14/08/19	Threat	Treat	Red L5 x I4	Red L4 x I4		Revised: Adequate

Causes

Link to Corporate Plan: Outcome ' A modern council: Providing open civic leadership and effective public services'
To ensure that the council meets the requirements of law and controls the likelihood and impact of risks which have potential to cause harm to residents, visitors and stakeholders there must be robust oversight of arrangements in delivering services and procuring goods to meet health and safety (H&S) legislation and other regulatory requirements. This is challenged by reducing resources, increasing demands and changes to our operating environment, and increased focus by regulators.

Potential Consequence(s)

* Actual and potential harm
* Custodial sentences for duty holders
* Fines and litigation
* Resources wasted
* Decisions made are challenged
* Increased costs of rectifying mistakes
* Financial stability of organisation compromised
* Reputational damage.

Existing Controls

First Line of Defence: Management Controls
1. Health & Safety (H&S) policy which sets out roles, responsibilities and arrangements
2. Access to competent advice (Health & Safety team) including technical fire safety lead investigation of all health & Safety incidents
3. Safety management framework - Team Safety
4. Response when required to the Health & Safety Executive (HSE) by the Head of H&S re. progress on actions to Notice of Contravention (NOC) and other HSE requirements from May 2019
4. H&S Training core programme
5. Fire Risk Assessments (FRAs) in place on council buildings with a programme of review which is monitored by Head of Health and Safety and AD Property and Design
6. Wellbeing Steering Group managed by Health & Safety team - stronger links to staff issues, e.g. the causes of stress and anxiety
7. Property & Design team check of cladding on all non housing buildings in the operational portfolio, eg. civic officers, historic (museums and libraries), social care, schools, sports pavilions etc. and the non-operational commercial portfolio
8. Housing Fire Health and Safety Board (Council, ESFRS & Mears) continue to oversee co-ordination of resources and manage actions through to completion. Enhanced fire risk assessments have been carried out on High Rise blocks impacted by fire door issues emerging from the Grenfell Inquiry. The enforcing authority are supportive of the council's approach
9. The Economy, Environment and Culture health & safety board oversees co-ordination of resources to manage risk and emerging safety issues
10. Head of Health & Safety in liaison with ED F&R developed a Strategic Corporate Action plan for H&S with a particular focus on working at height risks, 2019.

Second Line of Defence - Corporate Oversight
1. Corporate H&S Committee, meets quarterly
2. Managers complete Health & Safety checklists linked to Team Safety plans
3. H&S audit programme
4. Housing, Fire, Health & Safety Board meets regularly includes representation from East Sussex Fire & Rescue Service, the council's health & safety, Communications and Building Control and housing managers
5. H&S representation at Risk Management Steering Group/Safety Advisory Group/Major Incident Support Team (MIST)

6. Community initiatives partnership, governance and escalation through members' existing governance structures
7. Assurance Group that includes 3 ELT Directors and Head of H&S - to ensure that actions identified following Blatchington Mill fatality are robustly followed through and to identify how to dynamically manage risk more effectively.

Third Line of Defence: Independent Assurance
A. Post Grenfell tragedy - post June 2017
a) information required by Ministry of Housing Communities and Local Government (MHCLG) in relation to council owned blocks was provided.
b) Conference call held with MHCLG on 7 September 17 regarding our approach and the work we've done since Grenfell, in particular in relation to purpose built private sector blocks.
c) We have visited all privately owned high rise properties throughout the city to ascertain cladding systems and have confirmed to MHCLG that we are not aware of any residential blocks over 18m in height with ACM cladding. The MHCLG and East Sussex Fire and Rescue Service continue to be supportive of the approach
d) Department for Education (DfE) undertook on-line survey of construction of schools premises, returned by the council 30/6/17
e) East Sussex Fire & Rescue Service (ESFRS) Regulatory Reform (Fire Safety) Order - ESFRS undertake citywide audits according to a prioritised programme which includes a range of council buildings. No inspections of council buildings have led to the need for enforcement action. All Council high rise buildings have been visited by ESFRS
f) Council reported to Ministry of Housing Communities & Local Government (MHCLG) on private sector blocks visual inspections
g) Independent assurance on this risk is available from the inspections carried out by the HSE and East Sussex Fire and Rescue Authority.

B. Health & Safety Executive (HSE)
a) April 19 re. fatal accident investigation in relation to an incident involving a school caretaker at a secondary school in August 2018.
b) In 2016 the HSE visited the depot as part of National Waste Initiatives which resulted in minor recommendations which were actioned.
c) HSE Control of Vibration unannounced inspection in City Parks in October 2017, linked to national focus on work related health. Areas for improvement identified which has led to development of an action plan with assigned leads and timescales for action. In March 2018 through an HSE visit specifically on vibration due to RIDDOR reports in City Parks and City Clean. The outcome was that on 19 March 2019 the HSE would issue an improvement notice (not yet received) which has generated increased resource from the corporate H&S team to develop an action plan and revised risk assessment process for vibration.

C) Fatality of employee
a) After Inquest re. fatality of a council employee in 2018 the BHCC Coroner issued a Regulation 28: Report to Prevent Future Deaths in March 2019. Head of Health & Safety and Senior Lawyer prepared a letter in response to outline the activity of the council to address the issues raised within the Regulation 28 Report, and our plans to address the long term corporate issues. The letter was sent via the CEO of BHCC on 3 May 2019.
b) February 2019 ongoing investigation by HSE with Notice of Contravention issued and BHCC responded within required deadline. HSE decision to prosecution is still pending as at 12 July 19.

There was no internal audit work in 2018/19.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Additional resource identified within the corporate health & safety team to support City Environment to address specific high risk h&s issues initially with a focus on vibration and noise	Head of Health and Safety	75	31/07/19	29/04/19	31/07/19
Comments: H&S team continue to scope and plan specific work activity for City Clean and City Park, whilst delivery H&S business as usual. Two lead consultants (officers) moved into City Environment on a part-time basis. On 19/4/19 HSE indicated they would be issuing an improvement notice against BHCC in relation to management of vibration risks (not received as at 12 July 19). A central approach to co-ordinate needs of City Environment Management (CEM) has begun with 1 member from the service to work with corporate health & safety team, to inform the future action plan for CEM, to be agreed by the end of July 2019 and delivered as scheduled.					
Additional temporary personnel to be recruited to address specific high risk issues in City Environment and Housing	Head of Health and Safety	100	31/07/19	01/05/19	31/07/19
Comments: The recruitment process for a consultant H&S post for 6 months (secondment arrangement) complete, with the role starting from 15/7/19. The recruitment process for a Consultant Fire Safety specialist for 8 months (agency) was completed however the sucesful candidate chose not to accept the position. The approach to meet fire safety needs in Housing and CEM was reviewed in light of this and agreement made that the fire safety work in Housing would be undertaken as a programme of work by a Fire Safety Consultancy as a seperate contract. Fire risk assessment within CEM was reviewed and as progress had exceeded expectation and due to the sucesfull recruitment to the H&S Consultant role, current fire safety resourcing was deemed suffecient.					
Engagement of independent health & safety consultancy to undertake a review of our corporate H&S arrangements	Executive Director of Finance & Resources	50	01/01/20	01/06/19	01/01/20

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Comments: Action plan including commissioning consultant was signed off the CEO and ED F&R and the Assurance Group will have oversight of progress. Two year membership to RoSPA gained in July 2019. Head of Health & Safety is scoping the review of H&S Arrangements and which targeted audits will be undertaken. The scope will include an independent H&S Audit of Blatchington Mill School. A proposal for the scope of the independent review will be presented by the Head of H&S at the Assurance Group Meeting 31/7/19.					
ESCC commissioned to undertake a peer review of BHCC's corporate H&S team's arrangements to identify immediate opportunities for change	Compliance and Transformation Manager	100	01/06/19	01/04/19	01/06/19
Comments: BHCC's Head of H&S and ESCC H&S officer scoped and agreed the approach. The review began mid-May and any appropriate outcomes are fed into the strategic H&S action plan which was provided to the HSE within the deadline required within the notice of contravention.					
Housing Fire Safety Board plan and monitor the ongoing programme of sprinkler installations in the council's housing stock as approved by Housing Committee	Assistant Director Housing	50	31/03/20	01/04/16	31/03/20
Comments: Continue to work with ESFRS to take a risk based approach to prioritising consultation with residents on installation of sprinkler systems in council blocks, utilising match-funding where available. Continue joint monitoring of statutory fire risk assessment and other duties and a risk based approach to investment and response to issues arising, including fire doors in council blocks. Ensure emerging Fire Health & Safety Standards from central government post Grenfell are reviewed and implemented as required. In particular, concerning issues with fire doors. Continue to update H&NH Cttee					
Plan next bi-annual 'Well Workforce Survey for launch January - February 2020', linking to the bi-annual the Staff Survey results. This will ensure effective communications and generate increased engagement.	Head of Health and Safety	50	31/03/20	01/04/19	31/03/20

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Comments: The staff survey results have been issued to the Leadership Network and results can now be considered as part of the planning. The oversight group is in place, the Wellbeing Steering Group. Last Steering Group held 9/7/19. Planning for the next Well workforce survey is underway, the survey will be run in Jan / Feb 2020. The comms approach is being developed now to lead into the survey and will involve oversight of the Wellbeing steering group. Robust governance and tracking and progress are in place.					
Response made to HSE's Notice of Contravention(NOC) issued in February 2019 in relation to the fatality at Blatchington Mill School which in part lead of the development of the H&S Strategic Action Plan	Executive Director of Finance & Resources	100	26/04/19	22/02/19	26/04/19
Comments: HSE will monitor our response to the NOC. The last contact with the HSE was 29.4.19 where they indicated they would telephone the Head of H&S for fortnightly updates on progress. This has not transpired and there has been no contact from the HSE since 29.4.19. However, activity against the Strategic Action Plan continues and has been tracked through the Assurance Group (last meeting 2/7/19).					
Review how findings of health and safety audits are monitored to ensure themes and corrective actions are identified as well as high priority recommendations	Head of Health and Safety	10	01/04/20	01/09/19	01/04/20
Comments: The Corporate Health & Safety team have looked at ESCC (Orbis partner) approach with the view to trial their audit approach in BHCC. The Corporate approach to health and safety auditing will be reviewed as part of the Strategic Health & Safety Action plan, and take on board findings from the external review by a health and safety consultant; and any other issues.					

Appendix 2: Information on the council's risk management process relative to Strategic Risks (SRs); and
Suggested questions for Members to ask Risk Owners and officers on Strategic Risks.

1.0 Across the council there are a number of risk registers which prioritise risks consistently by assigning risk scores 1-5 to the likelihood (denoted by 'L') of the risk occurring, and the potential impact (denoted by 'I') if it should occur. These L and I scores are multiplied; the higher the result of L x I, the greater the risk e.g. L4xI4 which denotes a Likelihood score of 4 (Likely) x Impact score of 4 (Major).

LIKELIHOOD \ IMPACT	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	0	0	0	0	0
Likely (4)	0	0	0	1	0
Possible (3)	0	0	0	1	1
Unlikely (2)	0	0	0	0	1
Almost Impossible (1)	0	0	0	0	0

2.0 A colour coded system, similar to the traffic light system, is used to distinguish risks that require intervention. Red risks are the highest, followed by Amber risks and then Yellow, and then Green.

3.0 The Strategic Risk Register (SRR) records Red and Amber risks. Each strategic risk has a unique identifying number and is prefixed by 'SR' representing that it is a strategic risk.

4.0 Each risk is scored twice with an Initial ('Now') level of risk and a Revised (Future) risk score:

a) Initial Risk Score reflects the Existing Controls under the 'Three Lines of Defence' methodology which is good practice and helps to establish the First Line – Management Controls; Second Line – Corporate Oversight; and Third Line – Independent Assurance and the currency and value of each control in managing the risk. Therefore the Initial Risk Score represents the 'as is'/ 'now' position for the risk, taking account of existing controls.

b) The Revised Risk Score focuses on the application of time and expenditure to future reduce the likelihood or impact of each risk and is based on the assumption that any future Risk Actions, as detailed in risk registers, will have been delivered to timescale and will have the desired impact.

c) Where initial and revised scores are the same – the Risk Owners were asked to consider the 4Ts of Risk Treatments (Treat/Tolerate/Terminate/Transfer) and change the scoring or remove all future risk actions/move them to existing control. This is on the understanding that the risk action should either reduce the likelihood and/or reduce the impact – if none of this is true, there will not be any reason to undertake the action.

Suggested questions for Members to ask Risk Owners and officers on Strategic Risks

The Audit & Standards Committee has a role to monitor and form an opinion on the effectiveness of risk management and internal control. As part of discharging this role the Committee focuses on at least two Strategic Risks at each of their meetings.

The Committee invite the Risk Owners of Strategic Risks to attend Committee and answer their questions based on a CAMMS Risk report appended to each report. In the CAMMS Risk report, the Risk Owner:

1. Describes the risks, the cause and potential consequences, the officers involved and provides an **Initial Risk Score** which takes account of the existing controls in place to mitigate the risk.

2. Existing Controls are set out using the Three Lines of Defence model:
   - 1st line: management controls
   - 2nd line: corporate oversight
   - 3rd line: independent assurance

   in order that Members can identify where the assurance comes from, and how frequently it is reviewed and in the case of the 3rd line if audits of inspections have happened, when did it happen, what the results were. Risk Owners ensure that existing controls continue to operate effectively.

3. (Future) Risk Actions then are detailed and allocated to individuals with percentage achieved against target dates, with commentary on the current position. This provides the **Revised Risk Score** which is based on the assumption that all the risks actions have been successfully delivered.

The Risk Owners of Strategic Risks will always be an Executive Leadership Team (ELT) officer, and they may bring other officers who are more closely connected to the mitigating work.

Three questions are suggested to be explored by the A&S Committee:

1. Is the Risk Description appropriately defined? Does the Committee understand the cause and potential consequences?

2. Is the Committee reassured that each (future) Risk Action either reduces the impact or likelihood of the risk? Are members reassured that risk actions are actually being delivered?

3. In respect of the Revised Risk Score does the Committee feel comfortable with Risk Owner’s assessment? This represents the risk level that the organisation is prepared to accept.

AUDIT & STANDARDS COMMITTEE	Agenda Item 25 Brighton & Hove City Council

Subject:		**Internal Audit Progress Report – Quarter 1 (1 April to 31 June 2019)**	
Date of Meeting:		**17 September 2019**	
Report of:		**Executive Director, Finance & Resources**	
Contact Officer:	**Name:**	**Mark Dallen**	**Tel: 29-1314**
	Email:	**Mark.Dallen@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The purpose of this report is to provide Members with an update on all internal audit and counter fraud activity completed during the quarter, including a summary of all key audit findings. The report also includes details of progress on delivery of the annual audit plan along with an update on the performance of the internal audit service during the period.

2. RECOMMENDATIONS

2.1 Members are asked to note the report and consider any further action required in response to the issues raised.

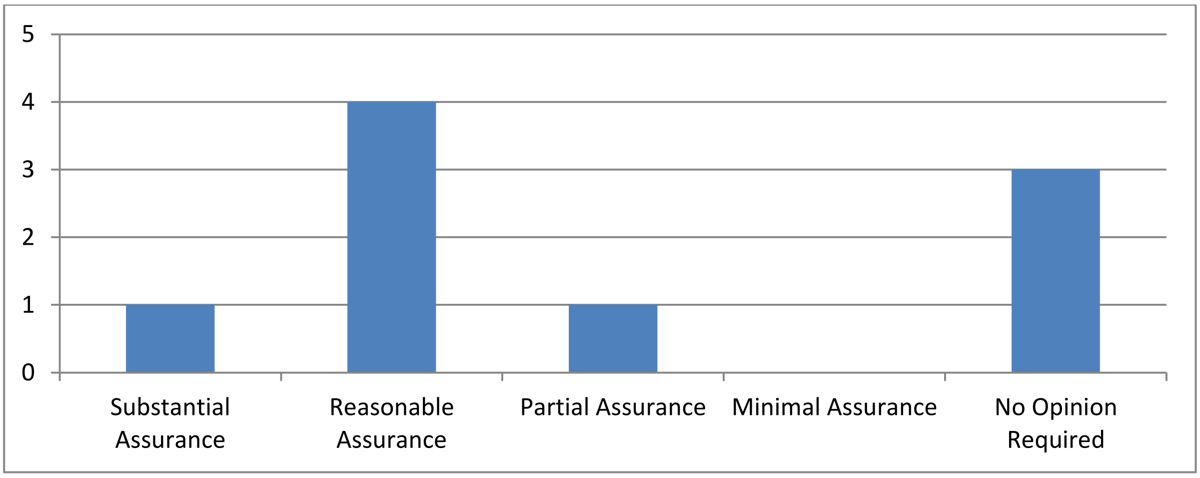
3. CONTEXT/ BACKGROUND INFORMATION

3.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2019/20 which was approved by the Audit and Standards Committee on 12 March 2019.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Internal Audit is on target to deliver 90% of the approved audit plan as per the key performance indicator.

4.2 Key audit findings from final reports issued during Quarter 1 are detailed in Appendix A and the opinions given are summarised in the chart below. There was one substantial assurance, four reasonable assurance and one partial assurance reports. In addition there were three pieces of audit work which did not require an assurance opinion.



4.3 Formal follow up reviews continue to be carried out for all audits where ‘minimal assurance’ opinions have been given and for higher risk areas receiving ‘partial assurance’.

4.4 Appendix A also provides details of counter fraud investigations completed, information on the tracking of high priority actions and progress against our performance targets.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None.

6. CONCLUSION

6.1 The Committee is asked to note the report.

7. FINANCIAL & OTHER IMPLICATIONS:

<u>Financial Implications:</u>

7.1 It is expected that the Internal Audit and Corporate Fraud Plan 2019/20 will be delivered within existing budgetary resources. Progress against the plan and action taken in line with actions support the robustness and resilience of the council’s practices and procedures in support of the council’s overall financial position.

Finance Officer Consulted: James Hengeveld Date: 29/08/19

<u>Legal Implications:</u>

7.2 *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 public sector internal auditing standards’. It is a legitimate part of the Audit and Standards Committee’s role to review the level of work completed and planned by internal audit.*

Lawyer Consulted: Elizabeth Culbert Date: 29/082019

Equalities Implications:

7.3 There are no direct equalities implications.

Sustainability Implications:

7.4 There are no direct sustainability implications.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit and Counter Fraud Quarter 1 Progress Report 2019/20

Background Documents

1. Internal Audit and Corporate Fraud Strategic Plan 2019/20.

Appendix A

Internal Audit and Counter Fraud

Quarter 1 Progress Report 2019/20

CONTENTS

1. Summary of Completed Audits

BACS Payments – Reasonable Assurance

1.1 The purpose of this audit was to review the Council's BACS payments arrangements and obtain assurance that there are adequate controls to prevent the unauthorised amendment of BACS files and subsequent inappropriate or fraudulent payments.

1.2 The audit found that appropriate controls are in place but there are some opportunities to improve the control environment. As a consequence one medium and two low priority actions were agreed to be implemented. These were:

- Improved controls over password changes (medium priority);
- Improved controls over data file access;
- An enhancement to the file control data accompanying the transmission of data to the processing bureau.

Grants to Community and Voluntary Organisations – Reasonable Assurance

1.3 Brighton & Hove City Council has established a Third Sector Investment Programme which has two components: the Communities and Third Sector Commission (TSC) and a Communities Fund.

1.4 The purpose of the audit was to provide assurance that the grants are authorised within an approved scheme of delegation and that due diligence processes are applied to organisations in receipt of funding. In addition, that here are effective processes in place to monitor the use of these grants and to minimise the risk of duplication in funding.

1.5 There review found that there are robust processes in place to ensure the awarding of grants is open and transparent and that there was good evidence of funding aligning to the Council's priorities.

1.6 The report identified five actions to improve existing controls, four medium priority and one low priority. The four medium priority actions were:

- To improve the monitoring of funded organisations so that each year financial reports, risk registers and insurance information is received from all groups;
- Better recording of annual review meetings and actions agreed with funded organisations;
- That all partnerships report performance against agreed outputs and outcomes;
- To establish better controls over project underspends/ carry-forwards.

Brighton Centre Follow-Up (Pay Issues) – Reasonable Assurance

1.7 This audit was a follow-up on an audit review in 2018/19 that concluded Minimal Assurance over the control environment because:

- staff had been underpaid for various shifts relating to weekend /overtime working and the taking of leave during these times;
- a number of arrangements for additional payments to staff were considered inadequate;
- some staff were working significant and regular amounts of overtime with locally determined arrangements for lieu time.

1.8 The purpose of the audit was to follow up on previously agreed management actions.

1.9 The review found that improvements have been made to the arrangements for the calculation of leave pay and overtime and that there is improved accountability over the production and agreement of staff work rotas.

1.10 Whilst this was the case, we also noted a lack of compliance against corporate processes (e.g. the recording of sickness absence) and that some staff are continuing to work very high levels of hours/ overtime due to staffing shortages.

1.11 As a result, four medium priority actions were agreed to address these issues. These were to:

- Implement actions to address shortfalls in the management of sickness and unauthorised absence;
- Further streamline and simplify payroll processes;
- Implement additional reconciliations/ checks to prevent errors in payments;
- Improve the management and monitoring of staff who are working high levels of additional hours/ overtime on an individual basis.

On and Off Street Parking – Substantial Assurance

1.12 This audit covered both on-street parking (pay & display machines) and car parks (pay on exit and pay and display machines).

1.13 The purpose of the audit was to provide assurance that there are secure and effective banking processes for all parking income (cash and card) and that there are regular reconciliations. The audit also sought to establish that that there are controls to identify thefts, machine breakdowns and other anomalies. Lastly that external contractors involved with the collection of car parking income are performing in accordance with contract and service requirements and that payment machines are properly maintained.

1.14 The audit confirmed that parking income is effectively monitored and reconciled, ensuring all income is banked within ten working days as agreed in the service contract.

1.15 The contract includes appropriate provision for KPIs and required service levels, and these are being monitored as expected. Quarterly meetings are held with the contractor to highlight any performance issues should they arise.

1.16 Maintenance performance is monitored and repair targets are being achieved.

1.17 The report details five actions to further enhance controls in this system. Three of these were medium priority and two low priority. The three medium priority actions were as follows:

- Improved arrangements for the coding of VAT for a specific card type;
- Resolving a coding issue with contactless cards;
- Improving record keeping when machine faults have been fixed.

Joint Commissioning – Reasonable Assurance

1.18 Health & Adult Social Care's (HASC) Commissioning & Performance Team provide some commissioning services on behalf of the Families Children & Learning (FCL) Directorate. This audit sought to provide assurance that:

- Joint commissioning addresses the areas of highest need for children across the spectrum of services;
- That those service areas fully utilise the frameworks established by the Strategic Commissioning team;
- Actions from previous audits have been completed (including a 2017 audit of Learning Disabilities Contract Management).

1.19 The audit found some good examples of joint commissioning e.g. the HASC Commissioning and Performance team on behalf of FCL commissioned, developed and procured an Accredited Provider List (APL) in relation to supported accommodation services for young people. However, this is not being used to its full potential by FCL and two providers who initially failed to meet the criteria for the APL were still being used.

1.20 Small commissions, focussed around the procurement or re-procurement of a specific service are being undertaken but this is not considered fully joint or strategic commissioning. In addition, joint commissioning is not yet being fully utilised as the strategic driver for assessing the needs of the City.

1.21 Work is ongoing to implement the actions from the Learning Disabilities - Contract Management audit report issued in May 2017. Three actions have been completed and two continue to be in progress, of which one is overdue. Revised implementation dates are now in place.

1.22 Overall, one high priority and three medium priority actions for improvement have been agreed within management arising from this latest review. These are:

- To develop a more strategic approach to commissioning which operates across the traditional directorate boundaries of children and adult social care. To include developing a joint commissioning strategy, defining responsibilities and expanding the current brokerage function (High Priority);
- To address some issues with specific contracts for Supported Accommodation;
- To ensure that the commissioning and re-procurement of Fostering Placements (for children with disabilities) is progressed with support from the Project Management Office and Corporate Procurement;
- To implement two outstanding actions from the 2017 audit Learning Disabilities Contract Management.

Dorothy Stringer School – Partial Assurance

1.23 An audit of Dorothy Stringer School was undertaken in accordance with our standard audit programme. This covers governance arrangements, financial planning, budget monitoring, purchasing, income, payroll and some limited testing on school funds and assets.

1.24 The review concluded partial assurance identified a number of weaknesses in the system of control. Actions for improvement were agreed with management at the school in the following areas:

- Ensuring that that there are proper insurances in place and arrangements for the health and safety of contractors working at the school (High Priority);
- Revising a committee terms of reference and scheme of delegation;
- Improving the management of known conflicts of interest;
- Continuing to closely monitor the school's financial position;
- Improvements to payroll processes;
- Ensuring that orders are raised for all purchases and that cash collection arrangements are improved;

- Ensuring that School Fund money is only used for appropriate purchases and rationalising voluntary fund accounts ;
- Introducing further improvements to site security and the security of assets;
- Improving income reconciliation processes.

EU Grant - BioCultural Heritage Tourism (BCHT)

1.25 This is an EU Interreg project that requires grant certification at least once a year. The total cost of the project between 2018 and 2021 is approximately £463,000. The grant expected is £320,000. This was the second claim on this project.

1.26 No significant issues were identified in the grant certification.

EU Grant – SOLARISE

1.27 This is an EU Interreg project that requires grant certification at least once a year. The full title of the project is Solar Adoption Rise In the 2 Seas. The total value of the project between 2018 and 2021 is approximately £525,000 (Grant expected £315,000). This was the second claim on this project.

1.28 No significant issues were identified in the grant certification.

Logotech - Treasury Management System Implementation

1.29 Internal Audit undertook a review to provide assurance over the implementation of the Logotech Treasury Management System. The review mainly focused on the proposed controls at Surrey and East Sussex County Council as Brighton and Hove City Council already uses an earlier version of the system.

1.30 The audit concluded that the controls in place regarding Logotech's treasury management system are deemed to be sufficient and the implementation of the system will serve to help standardise treasury management practice across Orbis.

2. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

2.1 Internal Audit delivers both reactive and proactive counter fraud services across the Orbis partnership. Work to date has focussed on the following areas:

National Fraud Initiative Exercise

2.2 The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The council is required to submit data every two years, and matches are sent back to the council for investigation. The results from the 2018 exercise were received on 31 January 2019 and have been prioritised for review over the coming months. Periodic updates on any outcomes from this work will be provided as part of future internal audit progress reports.

Counter Fraud Policies

2.3 Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. Internal Audit is in the process of reviewing the sovereign strategies to align with best practice and to ensure a robust and consistent approach to tackling fraud. A refreshed Counter Fraud Strategy will be reported to Audit and Standards January 2020.

Fraud Risk Assessments

2.4 Fraud risk assessments have been consolidated to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified.

Fraud Response Plans

2.5 The Fraud Response Plans take into consideration the results of the fraud risk assessments and emerging trends across the public sector in order to provide a proactive counter fraud programme. These include an increased emphasis on data analytics. The Fraud Response Plans will set out the proactive work plan for Internal Audit in 2019/20. Areas identified include:

- Conflict of Interest;
- Gifts and Hospitality;
- Purchasing and Fuel Cards.

Fraud Awareness

2.6 The team has been refreshing eLearning content to provide engaging and current material available to the whole organisation. This will be run in conjunction with fraud awareness workshops to help specific, targeted services identify the risk of fraud and vulnerabilities in their processes and procedures. An awareness campaign is planned to coincide with Internal Fraud Awareness Week in November.

Reactive Counter Fraud Work - Summary of Completed Investigations

Conflict of Interest

2.7 Internal Audit undertook an investigation following concerns that an employee may have been undertaking private work in conflict with his role as a council officer. Following conclusion of the investigation, it was found that additional work undertaken by the employee was not in a private paid for capacity rather it was completed in an attempt to provide help to residents. Following the investigation the employee was issued with a letter of expectation clarifying professional boundaries.

Direct Payments

2.8 Internal Audit was approached to provide support on a Direct Payment case where it was alleged that the recipient may have been misspending the Direct Payments. Internal Audit were able to provide support to the service in changing the direct payment agreement template and improve procedures in place for recovering payments.

Housing Tenancy and Local Taxation

2.9 In addition to the above, a key focus area remains housing tenancy fraud and Local Taxation, and the team has made good progress with work to date delivering:

- 6 properties returned so far this year with 2 more at possession hearing stages;
- 3 people removed from the Housing Waiting List following investigation;
- £2,974 in Housing Benefit overpayment has been identified as a result of investigation activity;
- £152 recovered arising from a Council Tax Reduction overpayment;
- Single Person Discount to the value of £874 has been removed from a council tax account;
- A new Business Rates charge of £28,393 has been issued following an investigation relating to renting of a property as holiday lets.

3. Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. As at the end of quarter 1, 100% of high priority actions due had been implemented.

4. Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the internal audit plan for the year remains 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 following additions to the audit plan have been made for the year to date at the request of management or the Audit and Standards Committee:

- Home to school transport (procurement);
- Valley Gardens Project (Phase 3);
- Logotech Treasury Management System (Implementation);
- HASC Emergency Accommodation Contracts;
- Purchasing Cards.

4.2 Through the same process, audits could either be removed or deferred from the audit plan and, where appropriate, considered for inclusion in the 2020/21 plan as part of the overall risk assessment completed during the annual audit planning process. Two audits have been deleted to date as follows:

- New E-Pay System (replaced with Purchasing Cards);
- Employment Support Follow-up (Incl. Able & Willing).

5 Internal Audit Performance

5.1 In addition to the annual assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set up 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	Approved by Audit Committee on 12 March 2019

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Annual Audit Report and Opinion	By end July	G	2019/20 Annual Report and Opinion approved by Audit Committee on 23 July 2019
	Customer Satisfaction Levels	90% satisfied	G	100% as at the end of quarter 1
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	On target. 38% of the plan complete as at the end of quarter 1.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	January 2018 – External assessment by the South West Audit Partnership gave an opinion of 'Generally Conforms' – the highest of three possible rankings
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100% at end of quarter 1.
Our staff	Professionally Qualified/Accredited	80%	G	87%

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.

AUDIT & STANDARDS COMMITTEE	Agenda Item 26 Brighton & Hove City Council

Subject:		**External Audit - Updated Audit Findings Report 2018/19**	
Date of Meeting:		**17 September 2019**	
Report of:		**External Auditor (Grant Thornton)**	
Contact Officer:	**Name:**	**Darren Wells**	**Tel: +44 (0)1293 554120**
	Email:	**Darren.J.Wells@uk.gt.com**	
Ward(s) affected:		**(All Wards);**	

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 The Updated Audit Findings Report summarises the findings arising from the conclusion of outstanding audit work on the 2018/19 accounts as previously reported to the committee on 23 July 2019. The council's appointed auditor, Grant Thornton has provided their updated audit findings at Appendix 1 which principally relate to revised actuarial assumptions and valuations in respect of the pension fund.

1.2 The report indicates that the anticipated opinion on the council's financial statements will be unmodified subject to the committee's approval of the revised statement of accounts.

2. RECOMMENDATIONS:

2.1 That the Audit & Standards Committee notes the findings set out in the updated Audit Findings Report 2018/19, asks questions of the auditor as necessary and raises any other matters relevant to the audit of the financial statements.

3 FINANCIAL & OTHER IMPLICATIONS:

<u>Financial Implications:</u>

3.1 The updated Audit Findings Report at Appendix 1 sets out the financial implications of the auditor's findings and the revisions to the financial statements this entails. There will be an additional fee for the work undertaken by the external auditor in respect of outstanding pension valuation queries which will need to be reviewed and authorised by Public Sector Audit Appointments Ltd in accordance with terms of the auditor's engagement.

Finance Officer Consulted: Nigel Manvell *Date: 06/09/19*

Legal Implications:

3.2 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).

3.3 The Regulations require either Full Council or a committee of the council to approve the statement of accounts. At Brighton & Hove Council, the Audit & Standards Committee is the designated committee for this purpose. Consideration of the auditor's findings as set out in their report at Appendix 1 is commensurate with this duty.

Lawyer Consulted: Elizabeth Culbert *Date: 02/09/19*

Equalities Implications:

3.4 There are no equalities implications arising directly from this report.

Sustainability Implications:

3.5 There are no direct environmental implications arising from this report.

SUPPORTING DOCUMENTATION

Appendices:

1. Grant Thornton Updated Audit Findings Report 2018/19

Documents in Members' Rooms

1. None

Background Documents

1. Revised Audited Statement of Accounts 2018/19

Grant Thornton

Updated Audit Findings for Brighton and Hove City Council

Year ended 31 March 2019

17 September 2019

Contents

74

Your key Grant Thornton team members are:

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Update on the issues reported to the 23 July meeting

We have now completed all outstanding audit work which was reported to you in our Audit Findings Report at the 23 July 2019 meeting. At that meeting we reported that the only outstanding audit issue which could require a modification of audit opinion or a material change to the financial statements was the work on the net pension liability.

Our work on the net pension liability included analytical testing of the reasonableness of the Council's share of assets and liabilities, and the actuarial application of the roll forward approach in estimating the value of the net pension liability. Our analytics suggested there could be a material error in the actuary's estimate of the Council's share of assets. At the time we reported to the Committee in July, we were awaiting a response from the Council's actuary to our enquiries.

In order to provide an actuarial estimate quickly for inclusion in the financial statements the actuary uses an estimated return on pension fund assets as at the financial year end. The actuary estimated a 10.6% return. The actual year end return on assets was 7.3%. As our audit work implied, this resulted in a material error for the draft accounts presented to the Committee.

Your finance team requested that the actuary produce an updated actuarial estimate to include the actual year end return on pension fund assets. The revised actuary report also included the additional liability for the impact of the McCloud ruling as reported in our previous audit findings report.

These two issues meant the estimate of the net pension fund liability increased by £39.4m, which increases the Council's Cost of Services by £4.9m, and increases Other Comprehensive Income and Expenditure by £34.4m. Note due to adjustments between the accounting and funding basis under regulations this does not impact on the closing General Fund balance. As this was material to the audit we agreed with management that this should be adjusted in the financial statements. This adjustment is shown on the following page.

The adjustment also impacts on the Movement in Reserves Statement, Adjustments between the Accounting Basis and Funding Basis under Regulations, the Expenditure and Funding Analysis, the Housing Revenue Accounts Income and Expenditure Statement, the Cash Flow Statement, the Narrative Report and Notes 3/6/17/23 to the accounts where the adjustment has feed-through impact. We have checked that the adjustment has been accurately reflected in these Statements and Notes to the accounts.

Therefore, the unaudited financial statements showed a Deficit on the Provision of Services of £35.8m and Total Comprehensive Income and Expenditure of £44m. After the audit, the a Deficit on the Provision of Services was adjusted to £40.8m and Total Comprehensive Income and Expenditure was adjusted to £83.4m.

We have no further issues to report. Our audit is now complete, and we are satisfied that the accounts which are presented to you for re-approval are materially fairly stated. Our audit report opinion will be unmodified.

Audit Adjustment – Net Pension Liability

Impact of adjusted misstatements

The table below provides details of the adjustment identified during the 2018/19 audit which has been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below:

Adjustment for the impact of the McCloud judgement and the update of the return on pension fund assets on the estimate of the net pension liability

	Balance Sheet line impact	Accounts Presented on the 23rd of July (£'000)	Impact of the adjustment (£'000)	Final audited accounts (£'000)
1.	Other Long Term Liabilities	(358,785)	(39,414)	(398,199)
2.	Unusable Reserves (Including Pensions Reserve)	(1,373,637)	39,414	(1,334,223)
	Comprehensive Income and Expenditure Statement (CIES) line impact			
1.	Cost of Services	264,225	4,907	269,132
2.	Net interest on the net defined benefit pension liability	7,196	66	7,262
3.	Remeasurements of the net defined benefit liability	30,840	34,441	65,281
4.	Total Comprehensive Income and Expenditure	44,014	39,414	83,428

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AUDIT & STANDARDS COMMITTEE	Agenda Item 27 Brighton & Hove City Council

Subject:		**Approval of the revised Audited Statement of Accounts 2018/19**	
Date of Meeting:		**17 September 2019**	
Report of:		**Executive Director for Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 01273 293104**
	Email:	**nigel.manvell@brighton-hove.gov.uk**	
Ward(s) affected:		**(All Wards);**	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 This report provides an update to the committee regarding the conclusion of outstanding audit queries relating to the valuation of pension fund assets and liabilities within the approved 2018/19 accounts.

1.2 Information was requested and obtained from the East Sussex Pension Fund actuary, Hymans Robertson, to satisfy a number of outstanding audit queries. The revised information indicated a material difference in the revaluation of the council's pension fund assets and liabilities. To ensure an unqualified audit opinion from the auditor on its accounts, this report therefore requests that the committee considers the amended accounts and re-approves them for publication together with a revised Letter of Representation.

2. RECOMMENDATIONS:

That the Audit & Standards Committee:

2.1 Notes the updated findings of the auditor (Grant Thornton) in their updated Audit Findings Report (AFR).

2.2 Approves the revised, audited Statement of Accounts for 2018/19.

2.3 Approves the revised Letter of Representation.

3. CONTEXT/ BACKGROUND INFORMATION

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

3.2 Under the Accounts and Audit Regulations 2015, the council's accounts for 2018/19 must be approved by Members of the authority and under the council's Constitution, the Audit & Standards Committee is charged with this responsibility. The Statement of Accounts must be approved and published by the 31 July 2019. The committee approved the audited accounts on 23 July and they were duly published on 31 July on the council's website.

3.3 However, at the meeting on 23 July, the authority's external auditor, Grant Thornton, advised the committee in their Audit Findings Report (Agenda Item 10) that there were a number of audit queries outstanding. In particular, in relation to the valuation of pension fund assets and liabilities, at page 8 of their report the auditor advised:

> *'Our work on this risk is not yet complete at the date of writing this report. We have raised a number of audit queries with the actuary around the level of pension fund assets/liabilities and interest income and the reasonableness of the application of the roll forward assumptions by the actuary.'*

3.4 In response to these queries a revised International Accounting Standard (IAS) 19 report was requested from the pension fund actuary, Hymans Robertson. The IAS 19 report set out revised valuations for the whole range of assets and liabilities held by the fund which indicated a significant increase in the Net Pension Deficit relating to Brighton & Hove City Council from £314.409m to £353.823m; an increased deficit of £39.414m compared to the previous actuarial valuation.

3.5 This difference is above the auditor's defined 'materiality level' of £11.653m for the authority and therefore not adjusting the accounts for the revised valuation would be likely to lead to 'qualification' of the accounts by the auditor, together with the potential negative reputational impacts this may bring.

3.6 The accounts have therefore been amended for the revised pension fund valuations and resubmitted to the auditor. The audit review of the revised accounts is now complete, and the accounts are available for the committee to re-approve alongside an accompanying, revised Letter of Representation.

3.7 If approved, the auditor is expected to be able to provide an audit completion certificate and issue an Unqualified Opinion for the 2018/19 accounts, which will be re-published on the council's website.

3.8 It should be noted that this issue appears to be a common problem across the sector. A recent article in Public Finance (the journal of the Chartered Institute of Public Finance & Accountancy, Cipfa) highlighted that Public Sector Audit Appointments (PSAA) ltd, the Local Government Association company that appoints 98% of local authority, police and fire authority auditors, has seen an increase in the number of audit opinions that missed the 31 July target from 13% last year to 40% this year. This is likely to have been caused by pension fund valuation issues, most notably, the impact of the McCloud judgement (see below). The PSAA is reported to be conducting an enquiry as to why an increased number of appointed auditors have missed the July target[1].

Impact of the Revised Pension Valuations

3.9 While the increase in the Net Pension Deficit would appear to be very substantial, it must be remembered that these are valuations of current and future assets and liabilities of all current pension scheme members (employees) and pensioners and the associated employer and employee contributions, investment assets and

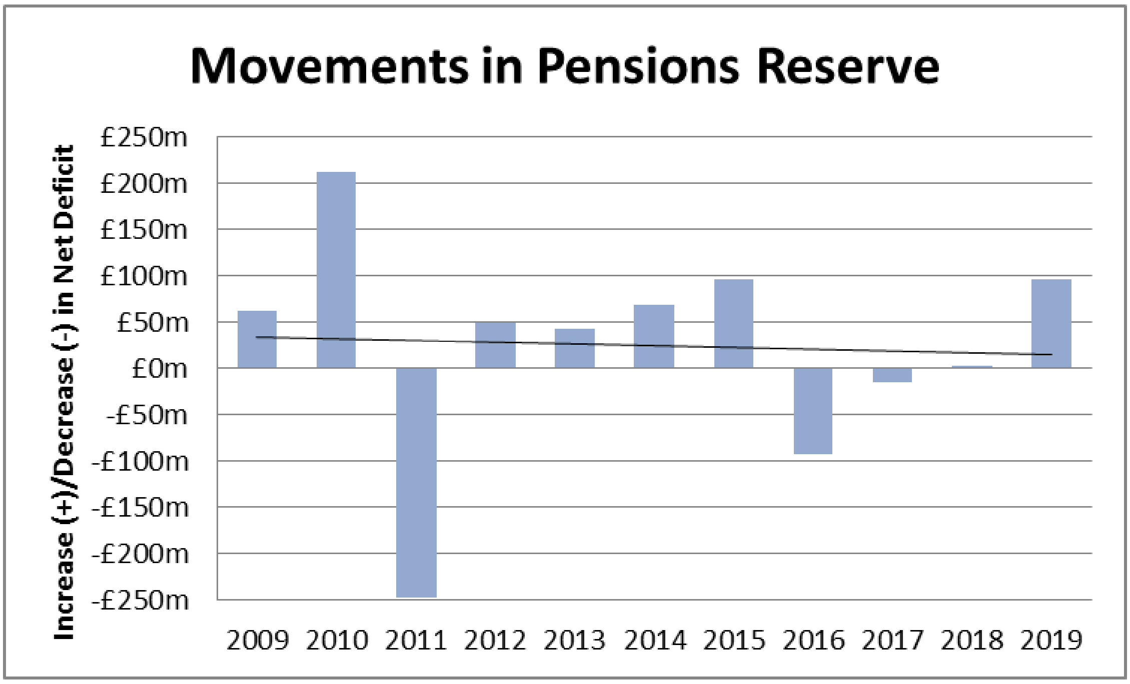
[1] It should be noted that while the 31 July is a statutory publication deadline for local authorities, it is not a statutory target for the completion of the audit or issuing of an audit certificate. However, it is an agreed target for auditors under their PSAA contract.

incomes. Such valuations are not only a ‘snapshot’ at a point in time but make very broad judgements and assumptions about a whole range of factors including:

- Projected wage growth;
- Projected inflation (i.e. future cost of pensions);
- Projected interest rates;
- Projected GILT yields;
- Investment performance;
- Life expectancy and morbidity rates.

3.10 At best therefore, these valuations can only give a sense of scale to potential future assets and liabilities. They cannot be regarded as a statement of fact and the only certainty in relation to these valuations is that the actual assets and liabilities generated by the fund over the next 3 to 40 years are likely to be very different to the current snapshot valuation.

3.11 To illustrate the volatility of valuations, the graph below shows how the IAS 19 snapshot valuation of the net pension deficit has moved over the past 10 years:



This clearly indicates very large movements year-on-year. It is therefore more advisable to look for long term trends rather than to be concerned by annual movements, for example, the straight black line shows the average movement over 10 years and this indicates a fairly flat trend over the period.

3.12 It is also important to understand the impact of movements in the valuation of the net pension deficit (pension reserve) on the council’s finances. In practice, the impact is very low. The main reasons for this are that:

1) It is a valuation of current and future assets and liabilities. Conversely, the council’s statutory funding basis is annual i.e. the council is only funded, through taxation and government grants, to meet the cost of current expenditure, not future years’ liabilities – in the case of pensions, its statutory

funding basis only enables it to meet the cost of the annual employer's contribution to the scheme.

2) The annual employer's contribution rate is determined by the actuary and is designed to ensure that the council's contributions will, together with projected investment incomes, result in a balanced and fully funded pension fund. However large local authorities are subject to prescribed 'stabilisation mechanisms' and this council can currently only incur maximum increases in its annual employer contribution rate of 0.5% per annum.

   Therefore, regardless of the size of any movement in the net pension deficit, the effect on the council's finances will normally be the same i.e. a 0.5% annual increase in employer pension contribution. Since the council, like the majority of local authorities, has a significant projected net pension deficit, it is likely to see 0.5% annual increases for many years and therefore the council's current 4-Year Medium Term Financial Strategy has already planned for these increases.

3) Any change in the net pension deficit is simply matched by an increase (or decrease) in the Pension Reserve. This is an unusable reserve that links to point 1) above i.e. it matches the future net pension deficit because the local authority is not funded to recognise or meet these costs in the current year.

3.13 The valuation of pension fund assets and liabilities and the resulting net pension deficit (or, very unlikely, surplus) is something for members to note and observe over a longer time frame. For example, were the deficit to substantially increase (e.g. double in size) and remain at a higher level for a period of years, this may indicate that either the Pension Fund is performing poorly in terms of investment returns, or that there has been a sustained global downturn, or that the council is paying contributions well below the level it needs to. The actuary's triennial valuation report is likely to reflect this situation and will set out more detailed implications. However, even in this scenario, plans to address the situation would still need to be actioned over a long time frame (3 to 10 years for investment strategy adjustments and a longer time frame for contribution adjustments due to the application of the stabilisation mechanism to local authorities).

The McCloud Judgement

3.14 There is also another impact of the revised actuarial valuation. As reported to the committee on 23 July 2019, when the Local Government Pension Scheme (LGPS) was reformed in 2014, transitional protections were applied to certain older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme by effectively giving them the better of the benefits from the old and new schemes.

3.15 In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination; this is known as the McCloud Judgement. The UK Government requested leave to appeal to the Supreme Court but this was denied by the Court of Appeal on 27 June 2019. The benefits accrued by LGPS members from 2014 will therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. This clearly has implications for the valuation of pension fund liabilities which will increase as a result.

3.16 Due to the timing of the Court of Appeal decision and subsequent delays in interpreting the full implications of the decision, at the time of publication of its 2018/19 Statement of Accounts the council recognised the potential impact of the McCloud judgement as a 'Contingent Liability' with a potential increase to the net pension deficit of £5.312m. However, now that the judgement has been upheld without leave to appeal and having instructed the actuary to provide a revised valuation in response to the auditor's outstanding queries, the amended accounts now take full account of the McCloud Judgement which is incorporated in the Comprehensive Income & Expenditure Statement and the Balance Sheet. The Contingent Liability note has consequently been removed and the details of the revised pension fund valuations, including the impact of the McCloud judgement, are included in a revised Note 23 to the accounts (Defined Benefit Pension Schemes).

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Where there are outstanding audit queries and the conclusion of this work identifies a material difference or misstatement in the accounts, the authority has three main options open to it:

1) Challenge the audit findings and enter into dispute with the auditor. Since the information resulting in the identified differences was provided by a well-established, independent firm of professional actuaries, any challenge to the revised valuations would be hard for the authority to evidence or support.

2) Leave the accounts un-amended and accept a 'qualification' of its accounts by the auditor. Annual financial statements are a primary document for third parties to rely on when assessing the financial transparency, resilience and standing of an organisation. Qualification of the statements may therefore have potential reputational consequences and may, for example, impact on the authority's ability to succeed in funding bids or to attract inward investment into the city.

3) Accept the audit findings, amend the accounts and submit them for audit review and subsequently for member re-approval leading to an 'unqualified' and unmodified audit opinion.

4.2 Option 3 is the recommended option as this not only ensures that the accounts are as accurate as possible but maintains the authority's good financial reputation and standing.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 No further consultation has been undertaken in relation to the revised accounts.

6. CONCLUSION

6.1 Following the conclusion of outstanding audit queries relating to the valuation of pension fund assets, liabilities and investment incomes, a difference in the valuation of the net pension deficit of £39.414m has been identified. This difference exceeds the auditor's defined 'materiality level' and therefore the accounts have been amended for this change and the committee are recommended to approve the revised accounts and revised Letter of Representation to ensure an unqualified audit opinion.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 The financial implications are included in the body of the report. The revised Letter of Representation does not include any fundamental change other than to reflect the fact that adjustments for the potential impact of the McCloud judgement are now incorporated in the revised accounts.
Finance Officer Consulted: James Hengeveld *Date: 16/08/19*

Legal Implications:

7.2 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), relevant details of which are set out in the body of the report.

7.3 The Regulations require either Full Council or a committee of the council to approve the statement of accounts. At Brighton & Hove Council, the Audit & Standards Committee is the designated committee for this purpose.

7.4
Lawyer Consulted: Elizabeth Culbert *Date: 02/09/19*

Equalities Implications:

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

Sustainability Implications:

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

Any Other Significant Implications:

7.7 The quality of a public authority's accounts is of reputational importance and where the auditor gives an unqualified opinion, citizens, partners and other stakeholders can be assured that the accounts present fairly the financial position of the council.

SUPPORTING DOCUMENTATION

Appendices:

1. Statement of Accounts (copy circulated to Members and published to the council website alongside the agenda)
2. Revised Letter of Representation

Documents in Members' Rooms

None

Background Documents

1. Revised Audited Statement of Accounts 2018/19

Brighton & Hove City Council

Finance & Resources Directorate

Brighton & Hove City Council
3rd Floor Bartholomew House
Bartholomew Square
Brighton
BN1 1JE

Grant Thornton UK LLP
2nd Floor
St John's House
Haslett Avenue West
Crawley
West Sussex
RH10 1HS

Date:	17 September 2019
Our Ref:	GT BHCC 2018/19
Contact:	Nigel Manvell
Phone:	01273 293104
e-mail:	nigel.manvell@brighton-hove.gov.uk

Dear Sirs,

Brighton & Hove City Council Financial Statements for the year ended 31 March 2019

This revised representation letter is provided in connection with the audit of the financial statements of Brighton & Hove City Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council's financial statements are presented fairly, in all material respects, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("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 Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council 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. 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. There are no other material judgements that need to be disclosed.

vi. Except as disclosed in the financial statements:

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

   b. none of the assets of the council have been assigned, pledged or mortgaged; and

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

vii. We confirm that in response to outstanding audit queries we sought updated information from the actuary and we are satisfied that the revised actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 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.

viii. We confirm that we are satisfied that accounting entries and disclosures in the financial statements related to private finance initiative (PFI) scheme contracts are consist with the appropriate PFI models.

ix. 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.

x. 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.

xi. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached as Appendix A 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 Council and its financial position at the year end.

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

xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

xv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xvi. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Council'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 Council from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management are aware.

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

xix. 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.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council 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.

xxi. 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.

xxii. 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.

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

xxiv. 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

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

Narrative Report

xxvi. The

xxvii. disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the council's Audit & Standards Committee at its meeting on 17 September 2019.

Yours faithfully,

Name…………………………

Position………………………….

Date…………………………….

Name…………………………

Position………………………….

Date…………………………….

Signed on behalf of the Governing Body

Appendix A

Schedule of unadjusted misstatements

The table below provides details of an adjustment identified during the 2018/19 audit which has not been made within the final set of financial statements. The Audit & Standards Committee is required to approve management's proposed treatment of the item recorded in the table below:

	Detail	Comprehensive Income and Expenditure Statement £‘000	Statement of Financial Position £’ 000	Impact on total net expenditure £’000	Reason for not adjusting
1	**HRA Income** During our testing of income cut off we identified that recharges of repairs/maintenance/improvements to HRA properties recharged to leaseholders were not being correctly matched with the expenditure. This led to revenues being understated.	(3,171)	3,171	(3,171)	The difference is not material
	Overall impact	**£2,141**	**£(2,141)**	**£2,141**	

Brighton & Hove City Council

Statement of Accounts 2018/19

Brighton & Hove City Council

Contents

Narrative Report

Council Overview

Brighton & Hove City Council is a south coast unitary authority formed of the merger of two former borough councils covering the geographical area of Brighton and Hove. In 2000, the area formed of Brighton, Hove and Portslade was awarded city status by the monarch.

Brighton and Hove is a thriving city located between the South Downs and the sea and is home to more than 290,000 people making it England's most populous 'seaside resort'. The city is renowned for its vibrancy, independent shops, Royal Pavilion and other visitor attractions, historic lanes, vast array of pubs, restaurants and clubs, festivals and events, stunning architecture and attractive coastline and chalk cliffs.

The council's purpose is to **provide strong civic leadership for the wellbeing and aspiration of Brighton & Hove** and as a single tier, unitary authority is responsible for all local government functions and services including education, social care, housing, libraries, waste collection and disposal, highway management, planning, licensing, public health and more.

The council's current Corporate Plan covers the period 2015-19 and was set in the context of a challenging financial future and focuses on modernising services to improve digital accessibility, reducing the cost of provision where possible, and looking at alternative ways of providing services with public sector organisations and other partners, particularly working closely with health services. Through modernising services and providing effective city leadership and governance, the council has been able to support its key Corporate Plan service priorities which cover:

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

Brighton & Hove City Council operates a committee system, which means that decisions are usually passed by a majority vote at committees. Committees are made up of representatives from the major political groups in the council in accordance with the political balance of the Council. The council's Annual Governance Statement, as well as more information on the council's governance structure, can be found on the council's website, www.brighton-hove.gov.uk.

The council's Medium Term Financial Strategy (MTFS), 4-year Integrated Service & Financial Plans and the current budget strategy focus available resources and investment on key areas to support the Corporate Plan. The MTFS normally covers a 4-year period but due to the unknown impact of the potential transfer of a further 75 percent of business rates to local authorities from 2020, the outcome of the government's current Fair Funding Review and future Comprehensive Spending Review announcements, the estimates and assumptions in the MTFS for 2020/21 and beyond must be treated with caution until further information is available from government.

The MTFS sets out key planning assumptions and resource projections over the period, including substantial projected savings programmes and current budget gaps, together with information about key areas for capital and revenue investment and the council's financing and treasury management strategies.

All documents are available on the council's website, www.brighton-hove.gov.uk.

Financial Highlights

Central government's ongoing deficit reduction measures resulted in the level of the council's local government finance settlement for 2018/19 being 7.6% lower than the settlement for 2017/18 against a national average reduction of 5.4%. This reduction, alongside growing service and inflationary pressures and reduced specific grant funding, required the council to identify and deliver substantial savings of over £12m for 2018/19 whilst minimising the impact on residents and essential public services.

As part of the budget strategy for 2018/19, the council set a 5.99% increase in the Brighton & Hove element of the council tax; this included an additional 3% adult social care precept to fund the increasing demands and costs of providing this service. This resulted in the council's share of council tax on a Band D property being £1,549.07, an increase of £87.57 on 2017/18.

Since 2016/17, the council's budget has been developed on a different basis to previous years, posing a greater level of challenge in the context of increasing service demands and reducing government grant funding resulting in a predicted budget gap of £68m over a 4 year period 2016/17 to 2019/20. To close the gap, significant reliance has been placed on savings and efficiencies identified as part of the 4-year planning process which started in 2016/17. These plans are reviewed and refreshed each year taking into account experience and new information, including government funding announcements. For 2018/19, all options were again looked at in the context of future affordability and sustainability, achieving ongoing cost reductions, managing demand more effectively, increasing efficiency and reducing overheads, and generating greater income.

The longer term service and financial planning approach adopted in 2016/17 has enabled the council to develop a clearer direction of travel and map out a budget strategy for addressing the predicted £68m budget gap over the 4-year period up to 2019/20. This approach is now embedded across services and ensures that savings proposals and ideas are specific, risk assessed, and consistent with service strategies and business plans, and also reflect management accountabilities. Plans continue to promote cross-cutting themes including demand management for social care and homelessness, ongoing reviews of management costs, options for generating greater income, switching to digital (web) services and mobile working, further aligning health and social care services, commissioning and medium term planning, providing resources for modernisation and 'enabling' programmes and shared service delivery of support functions through the Orbis partnership with Surrey and East Sussex County Councils.

In 2018/19, the council set a gross revenue budget of approximately £756m. Within this budget, the council included appropriate provisions for pay and price increases as well as provisions to mitigate potential financial risks relating to the achievement of substantial savings proposals.

The council reports its financial performance across its service directorates which are aligned in support of strategic priorities and are as follows:

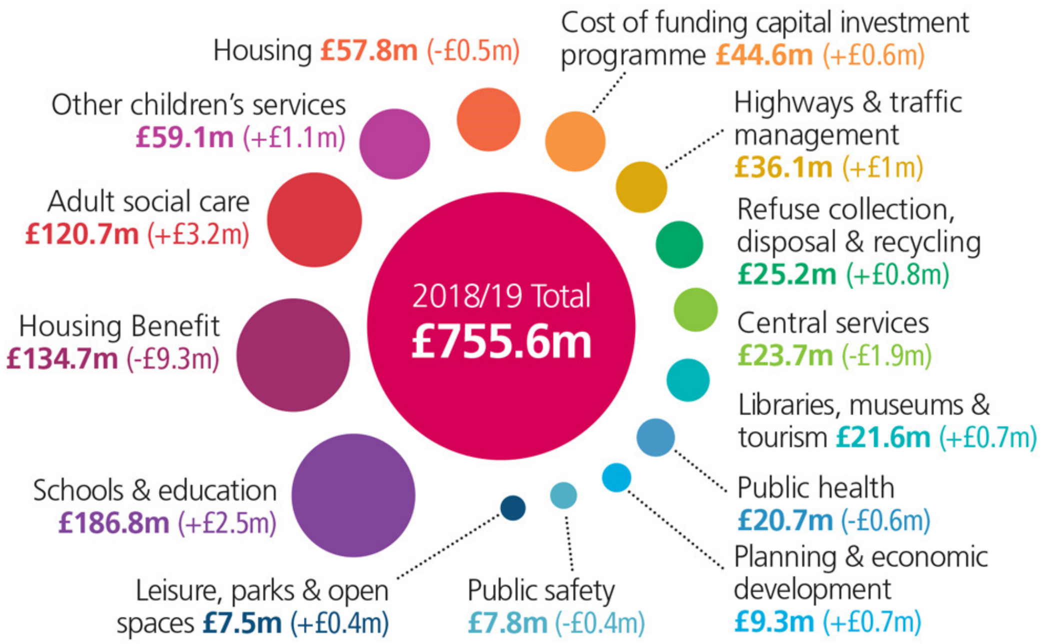
- Families, Children & Learning;
- Health & Adult Social Care (including Public Health);
- Economy, Environment & Culture;
- Neighbourhood, Communities & Housing;
- Finance & Resources and;
- Strategy, Governance & Law.

For management and reporting purposes there are three other areas for which financial information is held: the Dedicated Schools Grant (DSG); Corporate Budgets and the Housing Revenue Account (HRA). These groupings are classed as the council's "operating segments" and further information on these is shown in appendix 1 to the financial statements which can be found on pages 112 to 113. Decisions about resource allocations are taken by Full Council on the basis of budget reports analysed across these operating segments. Both the council's Comprehensive Income and Expenditure Statement (CIES) and Expenditure and Funding Analysis (EFA) are reported based on these operating segments. The CIES can be found on pages 28 to 30 and the EFA on pages 24 to 27.

The following charts show how much the council intended to spend on individual services in 2018/19 and how it expected to fund expenditure:

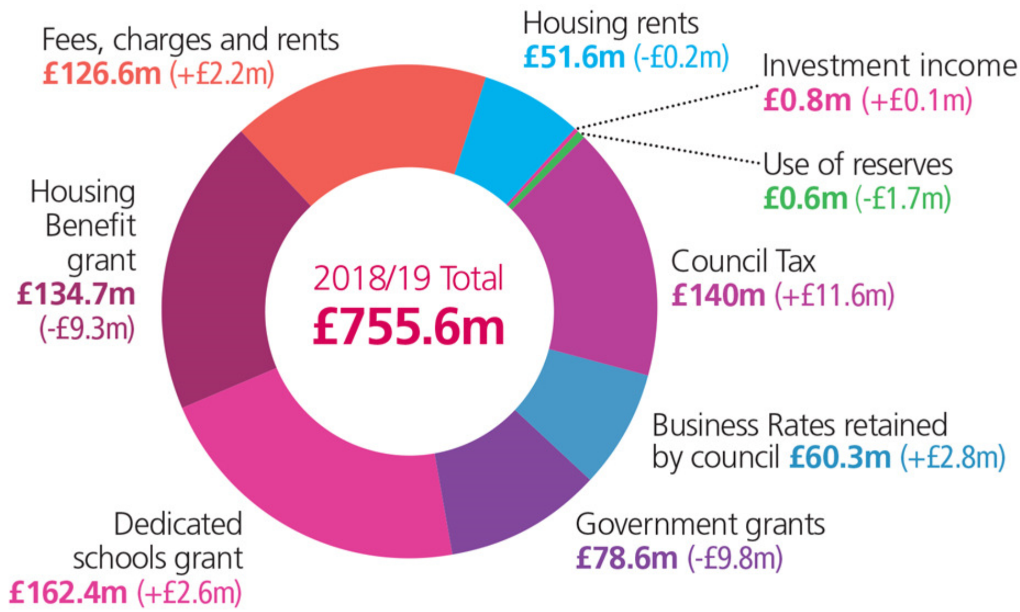
Services provided

(figures in brackets show the change from 2017-18)

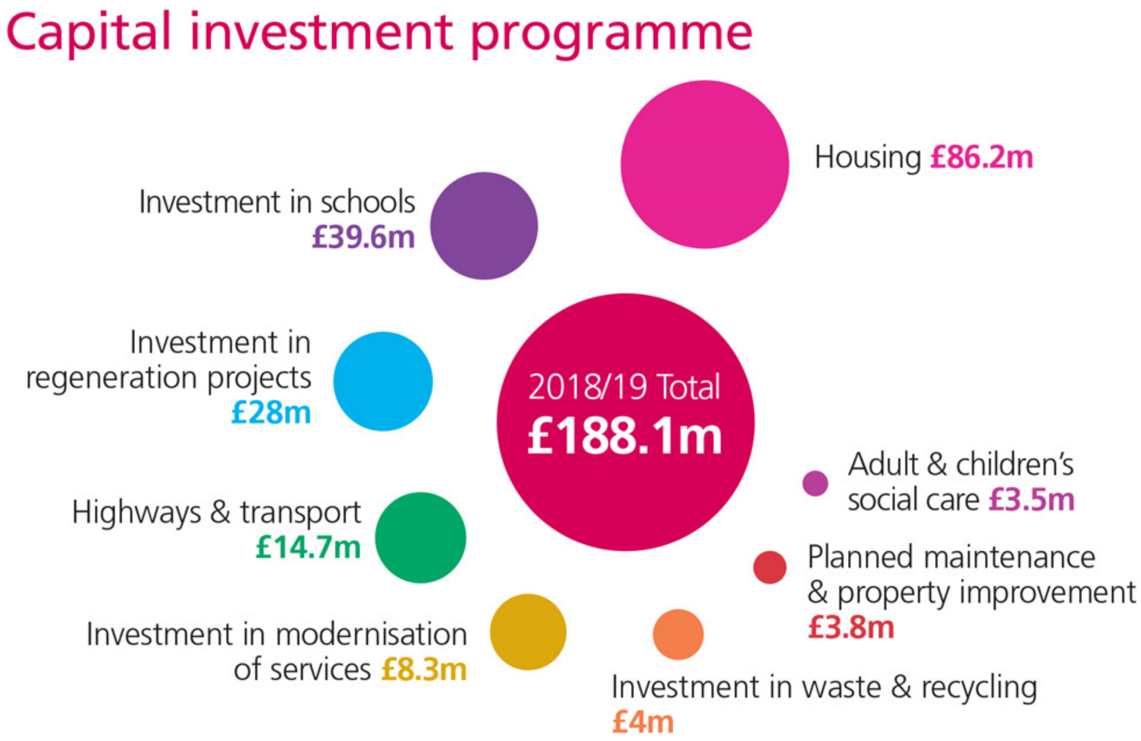


Where the money comes from

(figures in brackets show the change from 2017-18)



The council has approximately £2.064bn of non-current assets on its Balance Sheet as at 31 March 2019; these mainly comprise council housing stock and other property, plant and equipment, heritage assets and investment properties. The council's capital investment programme covers the 10-year period 2018/19 to 2027/28 and sets out high level forecasts of its investment plans to support service delivery in priority areas. In 2018/19, the council planned to spend approximately £188.100m on its non-current assets; of which 39% was for new capital schemes starting in 2018/19 with the remaining 61% for the completion of existing committed schemes. The new schemes include the building of new homes, the Stanmer Park development and investment in modernisation programmes including Digital Services. The following chart shows the 2018/19 capital investment programme across individual services:



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

The council's 2018/19 revenue and capital budgets were approved on 22 February 2018. Further details of the current and previous budgets can be found on the council's website, www.brighton-hove.gov.uk.

Summary of Financial Performance

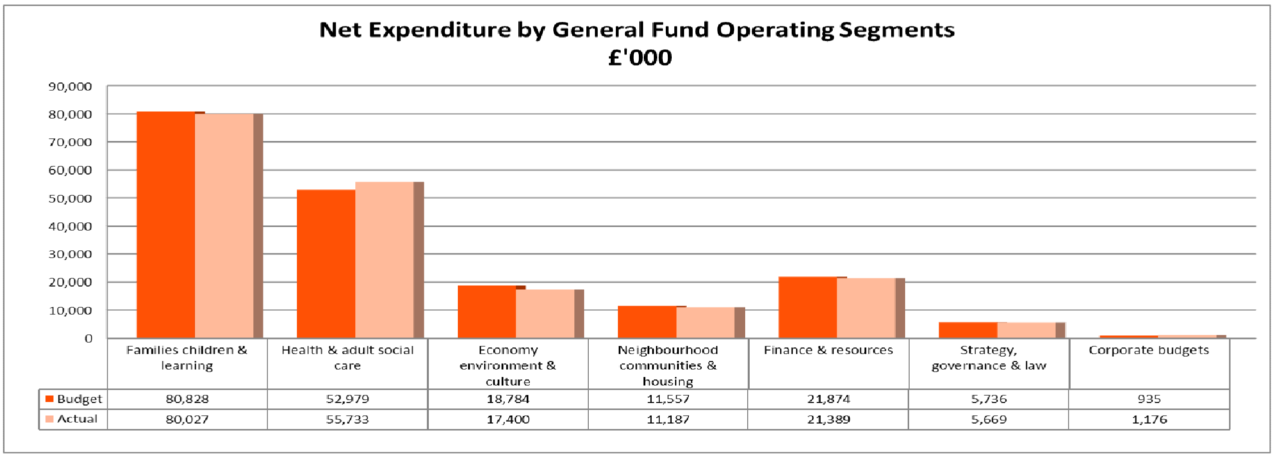
The council continues to deliver services within budget and maintain appropriate levels of reserves and balances to manage increasing financial and other risks both in year and for future years. It approached the 2018/19 financial year from a strong financial base with a continuing track record in effective financial management. For 2018/19 the council identified potential demand pressures of around £12.800m and was able to provide funding for these in the approved budget.

Overall, these measures were effective and the council achieved an underspend of £0.111m (0.1%) on its General Fund activities. This indicates that the council's corporate financial management continues to be effective under the 4-year planning approach including successful mitigation of additional demands and pressures emerging throughout the financial year.

The Housing Revenue Account (HRA) has underspent by £1.031m in 2018/19. There was also an underspend of £0.804m on the Dedicated Schools Grant which, as required by the School Finance regulations, will be carried forward to support schools' funding in 2019/20.

Revenue Outturn

The outturn for the council's General Fund services was a contribution to the General Fund working balance of £0.111m. The following chart shows the council's service specific spend information analysed over its General Fund operating segments and compared against the budgeted level:



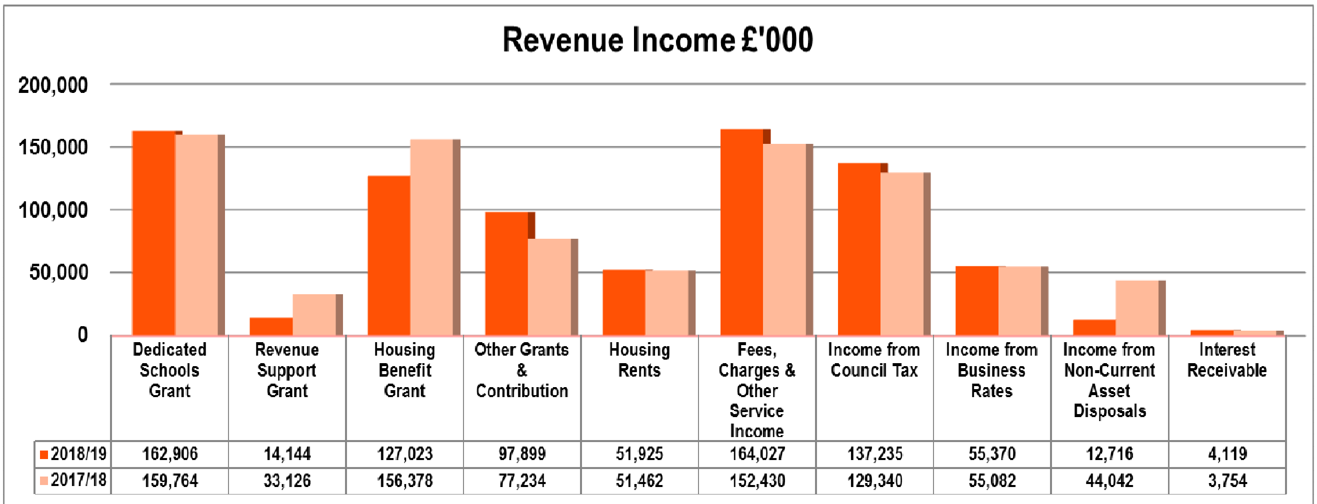
	Families children & learning	Health & adult social care	Economy environment & culture	Neighbourhood communities & housing	Finance & resources	Strategy, governance & law	Corporate budgets
Budget	80,828	52,979	18,784	11,557	21,874	5,736	935
Actual	80,027	55,733	17,400	11,187	21,389	5,669	1,176

The outturn for the HRA services was a contribution to the HRA working balance of £1.031m.

The council reported further details on its spending on General Fund and HRA services to the July 2019 Policy, Resources & Growth Committee; these can be found on the council's website, www.brighton-hove.gov.uk.

Revenue Income and Expenditure

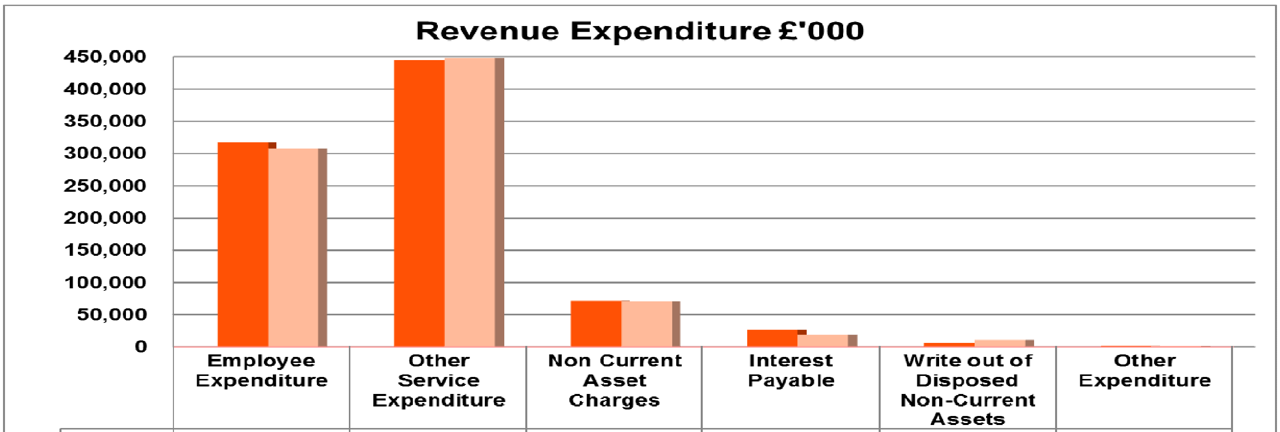
In 2018/19, the council received revenue income of £827.364m; this was £35.248m lower than that received in 2017/18. The following chart shows the revenue income over the two financial years:



	Dedicated Schools Grant	Revenue Support Grant	Housing Benefit Grant	Other Grants & Contribution	Housing Rents	Fees, Charges & Other Service Income	Income from Council Tax	Income from Business Rates	Income from Non-Current Asset Disposals	Interest Receivable
2018/19	162,906	14,144	127,023	97,899	51,925	164,027	137,235	55,370	12,716	4,119
2017/18	159,764	33,126	156,378	77,234	51,462	152,430	129,340	55,082	44,042	3,754

Detail on the government grants and other grants and contributions received by the council in 2018/19 can be found in note 14. Further details on the council tax and business rates income can be found in the Collection Fund section on page 14.

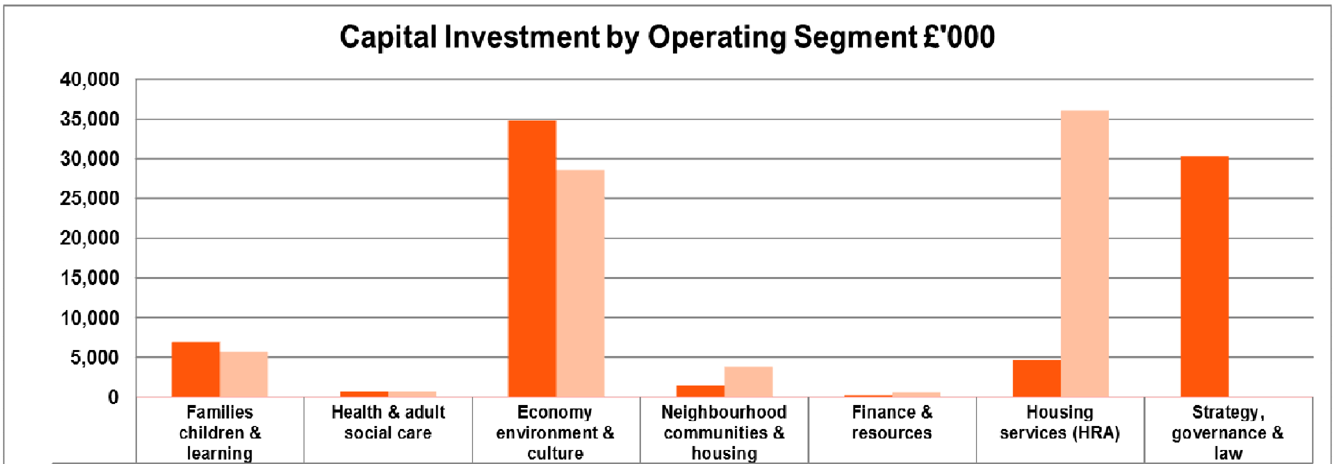
In 2018/19 the cost of services was £868.189m which was £10.739m greater than that in 2017/18. The following chart shows the revenue expenditure over the two financial years:



	Employee Expenditure	Other Service Expenditure	Non Current Asset Charges	Interest Payable	Write out of Disposed Non-Current Assets	Other Expenditure
2018/19	317,396	444,164	71,545	26,840	6,542	1,702
2017/18	307,457	447,742	71,027	18,373	11,368	1,483

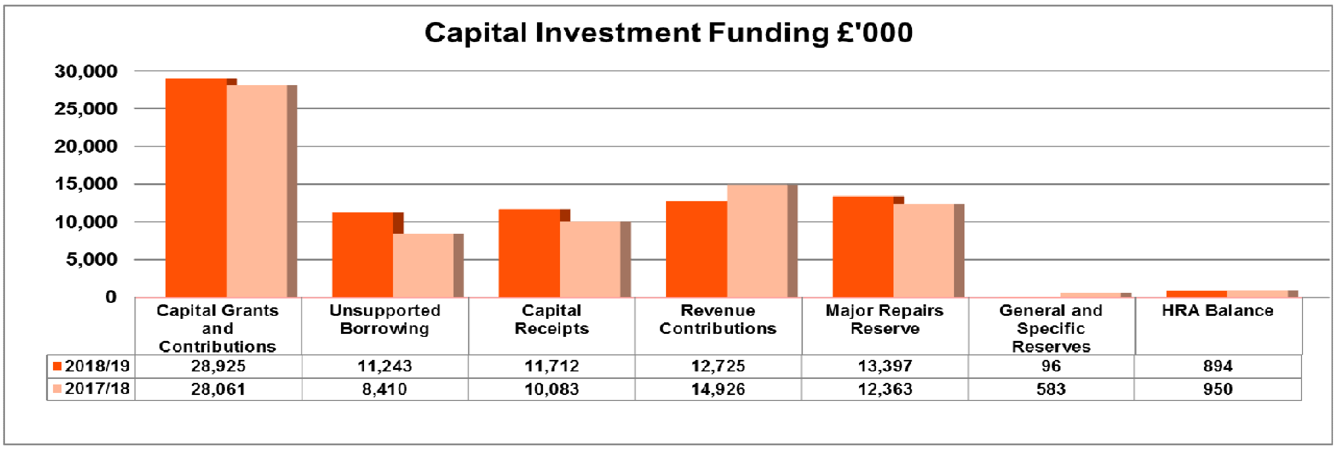
In 2018/19, the council delivered a significant capital investment programme of £78.992m in partnership with a wide range of external bodies, developing successful bids for funding from central government and other external bodies, as well as the prudent use of borrowing and capital receipts.

During the financial year, the council made adjustments to its budgeted capital investment programme including re-profiling of investment for slippage of capital schemes carried forward to 2019/20. No current or future resources were lost as a result of this re-profiling and slippage. Overall expenditure in the financial year was £1.278m lower than the amended profiled capital budget; the budgeted resources in respect of this underspend have been reallocated to 2019/20. The council's level of capital investment has increased by £3.616m from 2017/18. The following chart shows the council's service specific capital investment over the two years analysed over its operating segments:



	Families children & learning	Health & adult social care	Economy environment & culture	Neighbourhood communities & housing	Finance & resources	Housing services (HRA)	Strategy, governance & law
2018/19	6,931	646	34,758	1,448	251	4,701	30,257
2017/18	5,653	700	28,558	3,840	571	36,049	5

The council's 2018/19 capital investment programme was funded from various internal and external sources; details of this funding are shown in the following chart:



	Capital Grants and Contributions	Unsupported Borrowing	Capital Receipts	Revenue Contributions	Major Repairs Reserve	General and Specific Reserves	HRA Balance
2018/19	28,925	11,243	11,712	12,725	13,397	96	894
2017/18	28,061	8,410	10,083	14,926	12,363	583	950

The council reported further details on its overall expenditure and financing of the capital investment programme to the July 2019 Policy, Resources & Growth Committee; this can be found on the council's website, www.brighton-hove.gov.uk. Further information on the council's capital investment contractual commitments that existed as at 31 March is included in note 8.

Balance Sheet

The council has a healthy Balance Sheet; as at 31 March 2019 the council held long term assets of £2.064bn, current assets (including cash equivalents and investments) of £200.414m, current liabilities (including borrowing and bank overdraft) of £105.476m and long term liabilities of £711.560m (including net pensions liabilities of £353.823m). Furthermore, the council held usable reserves of £113.252m at 31 March 2019.

Reserves and Provisions

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

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

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

- In addition, the cash flow risk for unitary authorities is significant given the full range of services provided. Taking all of these factors into account, the council considers that a £9m General Fund working balance (excluding school balances) is appropriate, which represents about 4 weeks of council tax revenue. The current minimum level of working balance for the HRA the council deems appropriate is set at £3m; this represents 5% of gross HRA expenditure.

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

Schools' balances, whilst consolidated into the council's accounts, are a matter for School Governing Bodies. Nevertheless, under the council's Scheme for Financing Schools it has a duty to scrutinise the appropriateness of school balances. The council's Scheme for Financing Schools is in line with the requirements of the Secretary of State for Education and the arrangements in place are considered adequate. The level of school balances the council held at 31 March 2019 was £4.225m. The Scheme for Financing Schools normally allows for licensed budget deficits up to a maximum of 40% of the collective school balances.

The underspends in 2018/19 for both the General Fund and HRA have been consolidated into the council's working balances. As at 31 March 2019, the General Fund working balance was £15.243m and the HRA working balance was £7.890m.

The council also holds earmarked reserves for both the General Fund and HRA. The General Fund earmarked reserves as at 31 March 2019 were £41.864m, an increase of £4.051m. The HRA earmarked reserves as at 31 March 2019 were £2.394m, an increase of £1.325m. Further information on the specific earmarked reserves held by the council is provided in note 7.

The council has also set aside amounts in provisions for specific future liabilities. The level of provisions held as at 31 March 2019 was £8.678m, an increase of £3.262m. Further information on the provisions held is provided in note 13.

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.

The value of the council's non-current assets (including current assets held for sale) has increased in the financial year by £22.491m, from the level reported in 2017/18 to £2,019.401m in 2018/19.

The council made a capital investment on these assets of £69.017m and disposed of assets to the value of £6.446m during the financial year.

The council has also revalued other assets during the financial year which has had the effect of £39.836m revaluation gains being recognised in the revaluation reserve, £39.452m revaluation losses of which £17.127m was charged to the revaluation reserve and £22.325m charged to the CIES and £15.110m to reverse previous revaluation and impairment losses which were charged to the CIES. Details of significant revaluation losses have been included in note 8.

The council recognised impairment losses in 2018/19 of £0.915m in regard to council dwellings.

The annual valuation of investment property led to these assets being revalued upwards by £1.586m.

The council has also depreciated its non-current assets by £56.245m during the financial year.

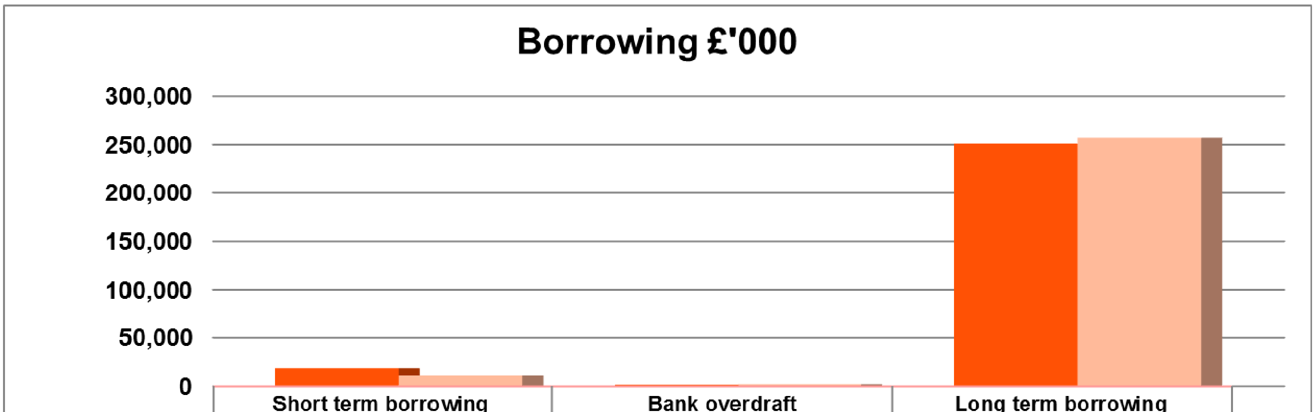
Further information on the non-current assets held by the council is included in note 8.

Borrowings

At 31 March 2019, the council's level of borrowing was £271.938m (including the bank overdraft of £1.803m). In accordance with the CIPFA Code of Practice on Treasury Management the council has based its management of the borrowing portfolio on a consolidated approach and not by individual services.

The council's Treasury Management Policy Statement (TMPS) for 2018/19 was approved by the Policy, Resources & Growth committee in March 2018. The TMPS includes treasury management practices which identify the procedures that the council follows to achieve the aims of the TMPS. The treasury management practices are supplemented by a number of "schedules" which contain specific details of the systems and routines employed by the council and the records maintained.

The council's borrowing strategy concentrates on managing the risk of when to undertake new long term borrowing. If borrowing is taken too early the difference between the borrowing rate and the investment rate could place severe pressures on the revenue budget in the short term. If the decision is delayed there is a possibility that long term interest rates would have risen, also placing pressures on the revenue budget in the long term. The council's TMPS sets out measures to reduce this risk through a series of forward deals, variable rate borrowing and short term borrowing. The level of borrowing (including the bank overdraft) has increased during the financial year by £0.696m. The following chart shows the council's level of borrowing as at 31 March:



	Short term borrowing	Bank overdraft	Long term borrowing
31 March 2019	18,955	1,803	251,180
31 March 2018	11,279	2,512	257,451

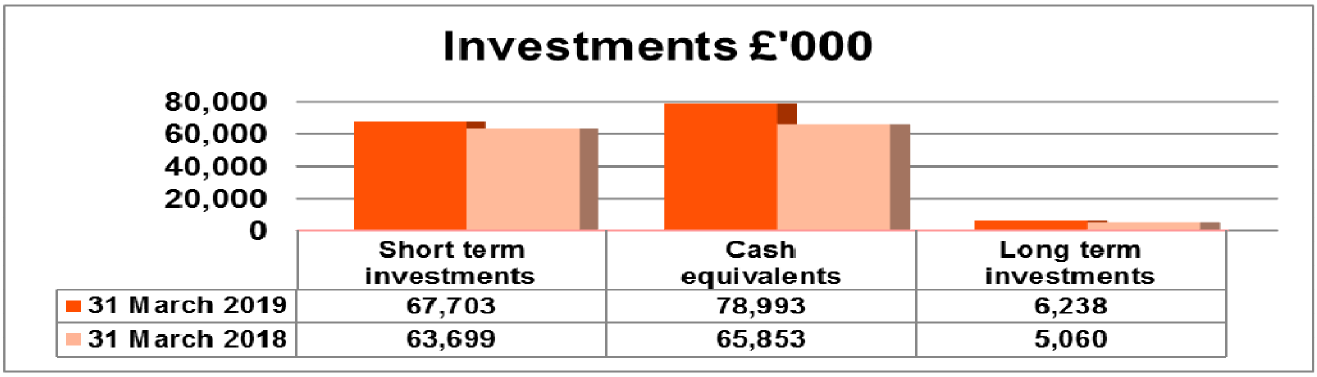
The council has raised new loans of £36.683m and repaid £35.175m during the financial year in respect of borrowings. Further information on borrowings is provided in note 10.

Investments

At 31 March 2019, the council held investments of £152.934m. Investments are made by the council's treasury management team and its external cash manager. The council uses an external cash manager to take advantage of investment opportunities in specialist markets, such as government stock.

The council's Annual Investment Strategy (AIS) for 2018/19 was approved by Full Council in April 2018. The AIS gives priority to security and liquidity. Security is achieved by selecting only those institutions that meet stringent credit rating criteria or, in the case of non-rated UK building societies, have a substantial asset base, and having limits on the amount invested with any one institution. For the purpose of determining credit ratings the council uses independent credit rating agencies. Rating criteria is only one factor taken into account by the council in determining investment counterparties. Other factors, such as articles in the financial press, are monitored and action taken where it is felt the risk attached to a particular counterparty has or is likely to worsen. Action will include the suspension of a counterparty in appropriate circumstances. Liquidity is achieved by limiting the maximum period for investment.

The level of the council's investments has increased during the financial year by £18.322m. The following chart shows the level of investments made as at 31 March:



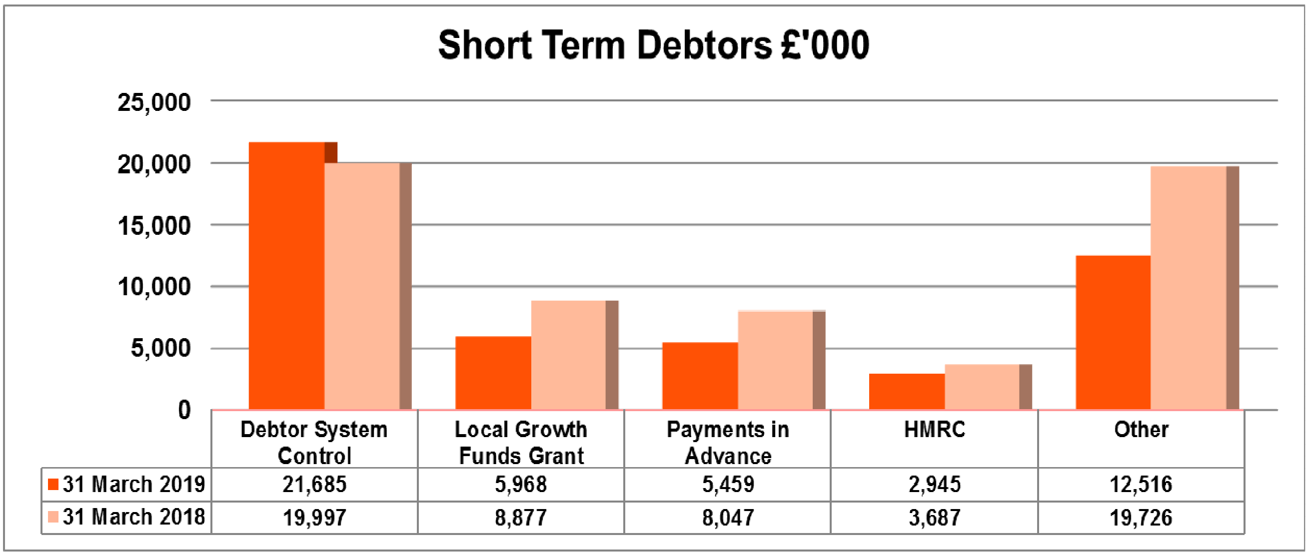
	Short term investments	Cash equivalents	Long term investments
31 March 2019	67,703	78,993	6,238
31 March 2018	63,699	65,853	5,060

During the financial year, long term investments increased by £1.178m, short term investments by £4.004m and cash equivalents by £13.140m. Further information on investments is provided in note 10.

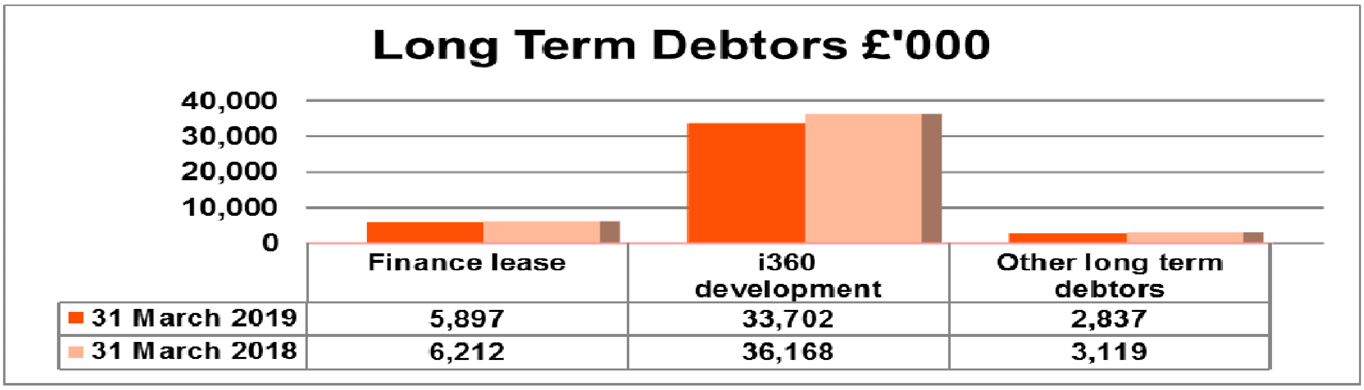
The council holds £6.238m of long term investments. This is made up of a £0.050m long term equity investment in the UK Municipal Bonds Agency plc,a £5.003m 10 year deposit with Danske Bank and a £1.185m investment in the housing joint venture with Hyde Housing.

Debtors

At 31 March 2019, £91.010m was owed to the council by debtors over the short term (i.e. 12 months) and the longer term. The level of short term debtors has decreased during the financial year by £11.761m; the level of long term debtors has reduced by £3.062m. The following charts show the level of debts owed to the council at 31 March:

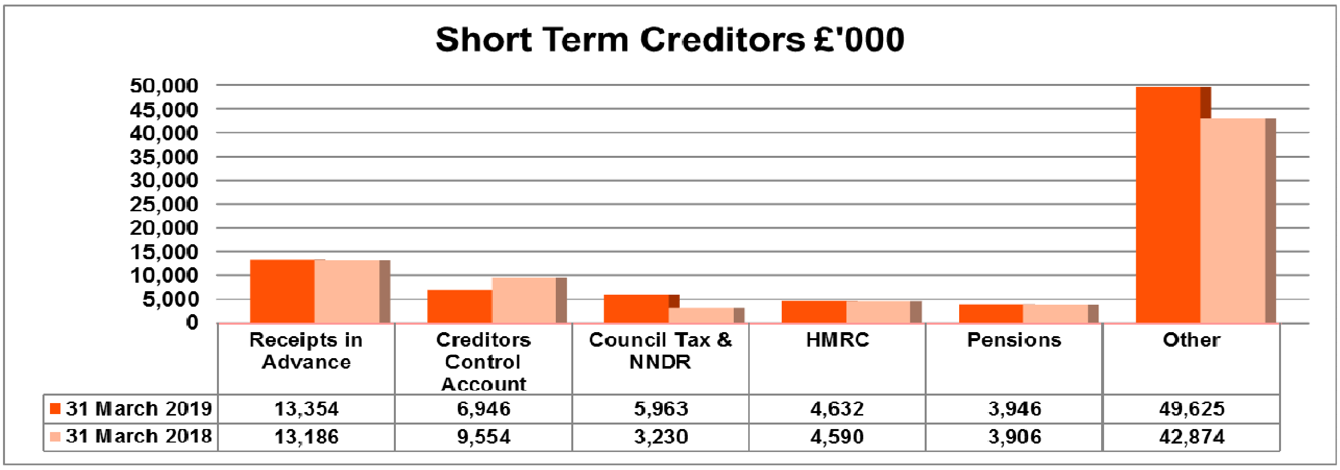


	Debtor System Control	Local Growth Funds Grant	Payments in Advance	HMRC	Other
31 March 2019	21,685	5,968	5,459	2,945	12,516
31 March 2018	19,997	8,877	8,047	3,687	19,726



Creditors

At 31 March 2019, the council owed £84.466m to creditors; these amounts are owed over the short term. The level of short term creditors has increased during the financial year by £7.126m. The following chart shows the amounts owed by the council at 31 March:



Pensions Liability

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

Hymans Robertson LLP carried out an actuarial valuation of the East Sussex Pension Fund as at 31 March 2016 under regulation 62 of the Local Government Pension Scheme Regulations 2013. The purpose of this valuation is to assess the value of the assets and liabilities of the Fund as at 31 March 2016 and to calculate the required rate of employers' contributions to the Fund for the period from 1 April 2017 to 31 March 2020.

The council's net liability for future pension payments, as estimated by the pension actuary, Hyman Robertson LLP, has increased from £257.219m at 31 March 2018 to £353.823m at 31 March 2019, an increase of £96.604m.

The overall deficit on the pension fund of £353.823m represents the difference between the value of pension fund assets as at 31 March 2019 and the estimated present value of the future pension payments (i.e. liabilities) committed at that date. The value of pension fund assets has increased by £81.603m from the level reported as at 31 March 2018 to £1,113.177m as at 31 March 2019.

The value of future pension payments liabilities has also increased by £178.207m from the level reported at 31 March 2018 to £1,467.000m as at 31 March 2019.

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

The application of actuarial assumptions and other experience adjustments in relation to the pension liabilities has resulted in the pension liabilities increasing by £113.228m of which the majority £111.471m relates to financial assumptions; further details are included in the assumptions table in note 23. Effectively, the financial assumptions made by the actuary at 31 March 2019 are less favourable than those made at 31 March 2018. Specifically, the discount rate used in the actuarial calculations has decreased during the financial year. Pension Scheme benefits are linked to price and salary inflation, therefore within the actuary's calculations, the real discount rate (i.e. net of price inflation) is compared from year to year when assessing the effect of changes in financial assumptions. The discount rate is set by reference to long term yields. The discount rate has decreased from 2.7% to 2.4%. A lower real discount rate leads to a higher value being placed on the liabilities.

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

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

Further information on pension costs is provided in notes 22 and 23.

Collection Fund

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

Non-Domestic Rates (NDR)

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

In 2018/19, the council received £116.531m non-domestic rates income of which £57.258m was retained by the council. The council also made a tariff payment of £1.139m to central government; this payment is paid to central government as the council's share of locally retained NDR is more than its baseline funding level set by central government.

The level of NDR income on each business property depends on its 'rateable value' as calculated by the Valuation Office Agency (VOA). Where local businesses believe the current value for business properties is wrong they can appeal. Where rating appeals are successful, the settlement of the appeal is funded by the council. The council has estimated the impact of outstanding appeals as at 31 March 2019 and has included a provision of £7.430m to cover its share. Further details on the judgement the council has made in calculating the provision are provided in note 3.

The council has also included a short term creditor of £5.963m in respect of the amount of non-domestic rates the council owes to central government and the East Sussex Fire Authority for their share of the in-year surplus, the business rates appeal provision, prepayments and the impairment allowance for doubtful debts less their share of non-domestic rates arrears.

Council Tax

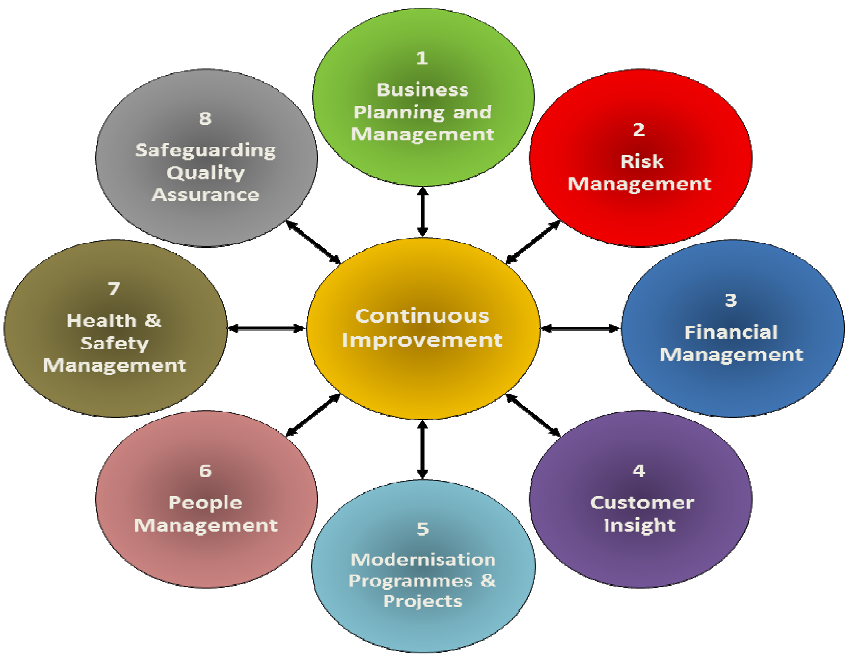
Council tax income derives from charges raised according to the value of residential properties. In 2018/19, the council collected council tax income of £160.892m (after reductions made under the localised scheme). The amount included in the council's CIES was £137.235m (including £0.045m re Rottingdean Parish precept), being its share (approximately 85%) of the council tax income; the remaining income was collected on behalf of the preceptors, Sussex Police & Crime Commissioner and East Sussex Fire Authority.

Performance Indicators

The council's Executive Leadership Team (ELT) developed and agreed a set of Corporate Key Performance Indicators (KPIs) which are mapped to the Corporate Plan in order to demonstrate delivery of the Corporate Plan outcomes. Using this KPI set the council can track performance outcomes and identify corrective actions where necessary. Performance reports are reviewed by ELT quarterly; accountable directors discuss corrective actions and ELT prioritises options. Members review performance at Policy, Resources & Growth (PR&G) Committee twice a year. The full set of Corporate KPIs and relevant linkages are shown in appendix 3 on pages 118 to 124.

The council continues to keep under review its Corporate KPI set to ensure all indicators provide the right balance of information to manage the council's services against officers' time to provide performance updates. For 2018/19, the overall set was reduced to 69 Corporate KPIs, down from 76 in 2017/18, 84 in 2016/17 and 103 in 2015/16.

The Performance Management Framework uses agreed targets and objectives to enable managers to measure and review performance, giving a clear indication as to whether the activities undertaken by individuals are contributing to the achievement of organisational goals. Effective performance management ensures the right actions are taken at the right time so that the council can achieve its purpose through delivering the principles and priorities as outlined in the Corporate Plan. The Framework consists of the following eight elements:



Where performance is a cause for concern, members or ELT can request additional exception reporting and incorporate it into the council's risk register if needed.

The council ensures year on year performance improvement through a rigorous target setting process. Performance targets for Corporate KPIs and other indicators are developed using the following criteria:

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

Year-end performance for 2018/19 is due to be reported to the Policy, Resources & Growth Committee in July 2019.

Direction of Travel and Strategic Approach

The council's overall approach is to transform how it, as a local authority, operates to improve outcomes, drives social value, and provides and commissions services that demonstrate good value for money. It will lead partners in efforts to help people into employment as a route to improved health, family stability and reduced need for social care and welfare benefits. The council will also need to become financially more self-sufficient through economic growth, increased community involvement and increased social action.

The Government has previously announced that funding for local government will be reduced by approximately 10% per annum on average and this reduction has been built into the council's MTFS forecasts based on information in the four year Comprehensive Spending Review announced in 2015. Beyond 2019/20 local government funding is very uncertain, however, for planning purposes the current trend is not anticipated to change significantly.

2018/19 was the third year of the current 4-year plan which has seen savings of nearly £57.000m being achieved by the end of the year. The final year (2019/20) will continue to be challenging as demands and costs across social care escalate in common with the national picture. Although estimated additional recurrent funding of £7.089m is available through the Improved Better Care Fund and the Adult Social Care precept, these are negated by the reduction in the Revenue Support Grant of £7.621m. One-off Improved Better Care resources has also been provided to help local authorities move toward greater integration with Health and to manage the pressures on hospital discharge, although this will taper to zero by 2020/21.

The council has delivered savings of around £57.000m in the previous 3 years with further savings of approximately £12.000m to be found in 2019/20 before the next Comprehensive Spending Review, meaning that further measures inevitably become harder to identify, carry greater delivery risks and may have greater impacts on residents, customers and service users.

The council is a large public service provider and commissioner covering around 700 individual services that support many different priorities and statutory requirements. The budget strategy is inevitably multi-stranded and complex as reflected by the wide range of savings proposals identified in the 4-year integrated service plans.

Increasing demands and reducing government grant funding continue to be the principal drivers of the revenue budget gaps in 2018/19 and beyond. To address the gaps, service leads have explored what can be redesigned and what can or should be delivered with or by other providers. Options have been considered in the context of future affordability and sustainability, the potential for cost reductions and efficiencies, the potential to manage demands more effectively, or the possibility of generating greater income. The council will continue to lobby government to take into account a number of issues that are key to the financial resilience of the council. In particular, the long term funding of social care, ensuring that the Fair Funding Review takes into account key demographic factors affecting the authority and that the proposed move to 75% business rate retention is implemented with no detriment to the council at the point of implementation. In addition, the council needs to continue to plan for a resilient and buoyant tax base in order to protect vital public services in the city.

While the 2015 Comprehensive Spending Review provided some certainty, there remain significant areas of uncertainty over the medium term as mentioned above. In general, factors that have a material effect on the financial position of the council include:

- The lack of certainty in future resource levels and future funding distribution models;
- The level of Government's 'excessive council tax' thresholds including Adult Social Care precepts;
- Changes in function and funding;
- Changes in the economy including the impact on business rates income and rents;
- Changes in employer costs (e.g. pension or living wage changes);
- The level of future successful appeals against the business rating list;
- Impact of levels of house building on both council tax and new homes bonus;
- Achievement of performance targets for performance related funding;
- Climate change and weather impacts (e.g. on highway condition);
- Ability to manage identified service pressures, particularly on social care;
- Decisions on council tax and the council tax reduction scheme;
- Democratic support for change including partnership working and integration.

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

The council's 4-year Integrated Service & Financial plans and associated MTFS aim to minimise the impact of some of the major financial risks and the impact on the delivery of the city's Corporate Plan commitments.

The council's cash flow requirements are reviewed regularly and liquidity is achieved by limiting the maximum period for investment and matching investment periods to cash flow requirements. Cash flows can be affected by uncertain timing of income and expenditure, fixed term investments, the ability of counterparties to meet financial commitments and unforeseen financial pressures. The council mitigates these risks by developing an annual investment strategy which maximises capital security through investment in institutions with the highest credit rating and limiting periods of investments. A deposit cycle has been introduced in line with expected cash flows to ensure adequate cash is available when required, and the council also uses its facility to invest in short term instruments to provide liquidity to match its daily cash flow requirements.

Explanation of the Financial Statements

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

The financial statements are presented on an International Financial Reporting Standards (IFRS) basis and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2018 to 31 March 2019. The Code specifies the format of the financial statements, disclosures and terminology that are appropriate for local authorities.

The council is required to present a complete set of financial statements (including comparative information).The financial statements are set out on pages 24 to 124 and are presented as follows:

Expenditure and Funding Analysis (EFA)

The objective of the EFA is to demonstrate to council tax, rent and rate payers how the funding available to the council (i.e. government grants, fees and charges, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented fully in the Comprehensive Income and Expenditure Statement. The analysis of income and expenditure on the face of the EFA is specified by the council's operating segments which are based on the council's internal management reporting structure.

Comprehensive Income and Expenditure Statement (CIES)

The CIES shows the accounting cost in the financial year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the EFA and the MiRS. The analysis of income and expenditure on the face of the CIES is specified by the council's operating segments which are based on the council's internal management reporting structure.

Movement in Reserves Statement (MiRS)

The MiRS shows the movement during the financial year on the different reserves held by the council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and "unusable reserves". The MiRS shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The net increase or decrease shows the statutory General Fund / HRA balance movements in the year following those adjustments.

Balance Sheet

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

Housing Revenue Account Income and Expenditure Statement

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

Cash Flow Statement

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

Collection Fund

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

Notes to the Financial Statements

The notes to the financial statements comprise explanatory information.

The financial statements also include a Statement of Responsibilities which sets out the council's and its Chief Financial Officer's responsibilities in respect of the financial statements.

The council uses rounding to the nearest £'000 in presenting amounts in its financial statements; some notes are rounded to the nearest £ to aid the presentation and understanding of the financial statements. The council has abbreviated £million as the symbol 'm' and £billion as the symbol 'bn'.

Further Information

Further information about the financial statements is available from Orbis Financial Accounting, 3rd Floor, Bartholomew House, Bartholomew Square, Brighton, BN1 1JE. 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.

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

Statement of Responsibilities

The Council's Responsibilities

The council is required to:

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

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

(iii) approve the Statement of Accounts.

The Executive Director Finance & Resources Responsibilities

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

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

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

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

(iii) complied with the local authority Code.

The Executive Director Finance & Resources has also:

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

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2019 and its income and expenditure for the financial year ended 31 March 2019.

David Kuenssberg CPFA
Executive Director Finance & Resources (Section 151 Officer)
17 September 2019

[1] Chartered Institute of Public Finance and Accountancy

Certification by Chair

I confirm that this Statement of Accounts was approved by the Audit & Standards Committee at a meeting held on 17 September 2019.

Signed on behalf of Brighton & Hove City Council

Councillor L Littman
Chair
Audit & Standards Committee
Date 17 September 2019

Brighton & Hove City Council

Financial Statements 2018/19

Financial Statements Contents

Expenditure and Funding Analysis (EFA)

Expenditure and Funding Analysis							
Year Ended 31 March 2018					Year Ended 31 March 2019		
Net Expenditure chargeable to the General Fund & HRA balances	Adjustments between Funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement	Note		Net Expenditure chargeable to the General Fund & HRA balances	Adjustments between Funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£'000	£'000	£'000			£'000	£'000	£'000
88,203	21,215	109,418		Families, children & learning	87,482	9,435	96,917
50,630	6,514	57,144		Health & adult social care	57,979	6,545	64,524
26,627	24,764	51,391		Economy, environment & culture	26,745	34,886	61,631
12,701	2,445	15,146		Neighbourhood, communities & housing	12,249	3,257	15,506
21,763	724	22,487		Finance & resources	20,771	4,517	25,288
6,063	(433)	5,630		Strategy, governance & law	6,516	(447)	6,069
(19,310)	2,740	(16,570)		Housing Revenue Account (HRA)	(23,551)	8,122	(15,429)
14,715	1,998	16,713		Corporate budgets	12,515	1,336	13,851
(119,484)	(5,312)	(124,796)		Dedicated schools grant (DSG)	(122,329)	(5,169)	(127,498)
(11,947)	0	(11,947)		Exceptional item - revaluation gain reversing previous revaluation loss (HRA)	(3,438)	0	(3,438)
15,600	0	0		Exceptional item - revaluation loss (HRA)	11,475	0	11,475
123,874	0	123,874		Schools	123,817	0	123,817
7,182	(7,182)	0		Adjustments between Funding & Accounting Basis for Items within the Operating Segments	1,980	(1,980)	0
0	(2,664)	(2,664)		Support service and management and administration charges to / (from) the Housing Revenue Account (HRA)	0	(3,581)	(3,581)
216,617	**44,809**	**245,826**		**Cost of Services**	**212,211**	**56,921**	**269,132**
(217,928)	(48,660)	(266,588)		Other income and expenditure	(221,003)	(7,304)	(228,307)
(1,311)	**(3,851)**	**(20,762)**		**(Surplus) / Deficit on the Provision of Services**	**(8,792)**	**49,617**	**40,825**
(56,248)				Opening General Fund and HRA balance at 1 April (including earmarked reserves)	(57,563)		
(1,311)				Less (surplus) / deficit on General Fund and HRA balance in year	(9,828)		
(4)				Net transfer to / (from) other usable reserves	0		
(57,563)				**Closing General Fund and HRA balance at 31 March (including earmarked reserves)**	**(67,391)**		
General Fund	HRA	Total	Note		General Fund	HRA	Total
£'000	£'000	£'000			£'000	£'000	£'000
Analysed between General Fund and HRA Balances							
(46,861)	(9,387)	(56,248)		Opening General Fund and HRA balance at 1 April (including earmarked reserves)	(48,741)	(8,822)	(57,563)
(1,876)	565	(1,311)		Less (surplus) / deficit on General Fund and HRA balance in year	(8,366)	(1,462)	(9,828)
(4)	0	(4)		Net transfer to / (from) other usable reserves	0	0	0
(48,741)	**(8,822)**	**(57,563)**		**Closing General Fund and HRA balance at 31 March (including earmarked reserves)**	**(57,107)**	**(10,284)**	**(67,391)**

Note: the Expenditure and Funding Analysis is a note to the financial statements, however, it is positioned here as it provides an analysis of the net expenditure that is chargeable in the CIES (i.e. (surplus) / deficit on the provision of services) between that net expenditure which is chargeable to the General Fund Balance (i.e. the overall movement on the General Fund Balance as shown in the MiRS) and the adjustments made to the General Fund Balance in accordance with generally accepted accounting practices as shown in the MiRS.

Notes to the Expenditure and Funding Analysis (EFA)

The following note sets out the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to arrive at the net expenditure chargeable to the General Fund balance and HRA balance (i.e. the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure):

Note to the Expenditure and Funding Analysis					
Adjustments from General Fund and HRA (Surplus) / Deficit to arrive at the Comprehensive Income and Expenditure Statement - 2018/19	**Adjustments for Capital Purposes (note 1)**	**Net Change for the Pensions Adjustment (Note 2)**	**Other Statutory Differences (note 3)**	**Other (Non-Statutory) Adjustments (note 4)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Families, children & learning	6,122	0	(17)	3,330	**9,435**
Health & adult social care	1,433	0	1	5,111	**6,545**
Economy, environment & culture	37,919	0	(4)	(3,029)	**34,886**
Neighbourhood, communities & housing	3,257	0	(2)	2	**3,257**
Finance & resources	1,551	4,067	(6)	(1,095)	**4,517**
Strategy, governance & law	151	0	(3)	(595)	**(447)**
Housing Revenue Account (HRA)	12,776	0	(3)	(4,651)	**8,122**
Corporate budgets	(19)	0	(81)	1,436	**1,336**
Dedicated Schools Grant (DSG)	0	0	(304)	(4,865)	**(5,169)**
Exceptional item - revaluation gain reversing a previous revaluation loss (HRA)	0	0	0	0	**0**
Exceptional item - revaluation loss (GF)	0	0	0	0	**0**
Schools	0	0	0	0	**0**
Adjustments between funding & accounting basis for items within the operating segments	(29,909)	18,953	8,976	0	**(1,980)**
Support service and management and administration charges to / from the Housing Revenue Account (HRA)	0	0	0	(3,581)	**(3,581)**
Net Cost of Services	**33,281**	**23,020**	**8,557**	**(7,937)**	**56,921**
Other income and expenditure from the Expenditure and Funding Analysis	(25,462)	7,262	2,959	7,937	**(7,304)**
Difference between General Fund and HRA (Surplus) / Deficit and Comprehensive Income and Expenditure Statement (Surplus) / Deficit	**7,819**	**30,282**	**11,516**	**0**	**49,617**

Note to the Expenditure and Funding Analysis					
Adjustments from General Fund and HRA (Surplus) / Deficit to arrive at the Comprehensive Income and Expenditure Statement - 2017/18	Adjustments for Capital Purposes (note 1)	Net Change for the Pensions Adjustment (Note 2)	Other Statutory Differences (note 3)	Other (Non-Statutory) Adjustments (note 4)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000
Families, children & learning	17,730	0	2	3,483	21,215
Health & adult social care	1,010	0	1	5,503	6,514
Economy, environment & culture	27,908	0	1	(3,145)	24,764
Neighbourhood, communities & housing	2,449	0	0	(4)	2,445
Finance & resources	1,083	716	1	(1,076)	724
Strategy, governance & law	159	0	0	(592)	(433)
Housing Revenue Account (HRA)	3,654	0	12	(926)	2,740
Corporate budgets	545	0	1	1,452	1,998
Dedicated Schools Grant (DSG)	0	0	(220)	(5,092)	(5,312)
Exceptional item - revaluation gain reversing a previous revaluation loss (HRA)	0	0	0	0	0
Exceptional item - revaluation loss (GF)	0	0	0	0	0
Schools	0	0	0	0	0
Adjustments between funding & accounting basis for items within the operating segments	(26,910)	19,664	64	0	(7,182)
Support service and management and administration charges to / from the Housing Revenue Account (HRA)	0	0	0	(2,664)	(2,664)
Net Cost of Services	**27,628**	**20,380**	**(138)**	**(3,061)**	**44,809**
Other income and expenditure from the Expenditure and Funding Analysis	(57,827)	6,890	(784)	3,061	(48,660)
Difference between General Fund and HRA (Surplus) / Deficit and Comprehensive Income and Expenditure Statement (Surplus) / Deficit	**(30,199)**	**27,270**	**(922)**	**0**	**(3,851)**

Note 1 – Adjustments for Capital Purposes

These adjustments include:

- items charged to services in relation to non-current assets (depreciation, impairment and revaluation gains and losses);
- adjustments for capital disposals (i.e. income on disposal on non-current assets and the amounts written off for those assets);
- adjustments for the statutory charges of capital financing (i.e. minimum revenue provision) and other revenue contributions as these are not chargeable under generally accepted accounting practices;
- adjustments for grants - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line in the CIES is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 – Net Change for the Pensions Adjustments

These adjustments relate to the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- For services (i.e. operating segments) 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 other income and expenditure this represents the net interest on the defined benefit liability charged to the CIES.

Note 3 - Other Statutory Differences

This column includes other statutory adjustments between amounts debited / credited to the CIES and amounts payable / receivable to be recognised under statute and includes:

- adjustments to the General Fund / HRA surplus / deficit for the timing for premiums and discounts;
- adjustments to the General Fund surplus / deficit for employees' paid absences;
- adjustments for the timing 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.

Note 4 - Other (Non-Statutory) Adjustments

Other non-statutory adjustments between amounts debited/credited to service segments which need to be adjusted to comply with the presentational requirements in the CIES and includes adjustments for adjustments to service segments for interest income/expenditure, unringfenced government grants and support service charges.

Further detail on these adjustments is provided in the note to the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement (CIES)

Comprehensive Income and Expenditure Statement							
Year Ended 31 March 2018			Note		Year Ended 31 March 2019		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
123,820	(14,402)	**109,418**		Families, children & learning	111,484	(14,567)	**96,917**
108,646	(51,502)	**57,144**		Health & adult social care	119,257	(54,733)	**64,524**
110,936	(59,545)	**51,391**		Economy, environment & culture	132,254	(70,623)	**61,631**
39,960	(24,814)	**15,146**		Neighbourhood, communities & housing	41,448	(25,942)	**15,506**
178,488	(156,001)	**22,487**		Finance & resources	162,312	(137,024)	**25,288**
10,481	(4,851)	**5,630**		Strategy, governance & law	10,292	(4,223)	**6,069**
39,124	(58,358)	**(19,234)**		Housing Revenue Account (HRA)	41,519	(60,529)	**(19,010)**
16,835	(122)	**16,713**		Corporate budgets	15,648	(1,797)	**13,851**
185,817	(186,739)	**(922)**		Dedicated schools grant (DSG)	188,343	(192,024)	**(3,681)**
(11,947)	0	**(11,947)**		Exceptional item - revaluation gain reversing a previous revaluation loss (HRA)	(3,438)	0	**(3,438)**
15,600	0	**15,600**		Exceptional item - revaluation loss (HRA)	11,475	0	**11,475**
817,760	**(556,334)**	**261,426**		**Cost of Services**	**830,594**	**(561,462)**	**269,132**
		Other operating expenditure					
		(32,563)		(Gain) / loss on the disposal of non-current assets			**(6,098)**
		249		Precepts and levies			**245**
		1,234		Payments to the government housing capital receipts pool			**1,457**
		7,340		Non-current asset charges on assets leased to academy			**339**
		(23,740)		**Total Other Operating Expenditure**			**(4,057)**
		Financing and investment income and expenditure					
		18,373		Interest payable and Premiums			**26,840**
		6,890		Net interest on the net defined benefit pension liability			**7,262**
		(3,754)		Interest receivable and similar income			**(4,119)**
		(3,117)		Income and expenditure in relation to investment properties			**(3,227)**
		(3,220)		Changes in the fair value of investment properties			**(1,586)**
		15,172		**Total Financing and Investment Income and Expenditure**			**25,170**
		Taxation					
		(129,340)		Council tax income (including share of council tax surplus /			**(137,235)**
		1,795		Share of non-domestic rates (surplus) / deficit			**1,888**
		(56,877)		Locally retained element of non-domestic rates income			**(57,258)**
		(43,082)		Non ring fenced government grants			**(37,294)**
		(30,516)		Capital grants and contributions			**(19,521)**
		(258,020)		**Total Taxation and Non-Specific Grant Income and Expenditure**			**(249,420)**
		(5,162)		**(Surplus) / Deficit on the Provision of Services**			**40,825**

Year Ended 31 March 2018 Net Expenditure £'000	Note		Year Ended 31 March 2019 Net Expenditure £'000
Items that will not be reclassified to the (Surplus) / Deficit on the Provision of			
(35,306)	8	(Surplus) / deficit on revaluation of non-current assets	(22,677)
(24,948)	23	Remeasurements of the net defined benefit liability	65,281
(60,254)		**Total Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services**	**42,604**
Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services			
3	6, 10	(Surplus) / deficit on revaluation of available for sale financial assets	97
99	6, 10	Recycled Available for Sale Assets for impairment / derecognition	(98)
102		**Total Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services**	**(1)**
(60,152)		**Other Comprehensive Income and Expenditure**	**42,603**
(65,314)		**Total Comprehensive Income and Expenditure**	**83,428**

Notes to the Comprehensive Income and Expenditure Statement (CIES)

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

Expenditure and Income analysed by Nature	2017/18 £'000	2018/19 £'000
Employee expenses	307,457	317,396
Other service expenses	447,742	444,164
Non-current asset charges	71,027	71,545
Interest payable	18,373	26,840
Precepts and levies	249	245
Payments to Housing Capital Receipts Pool	1,234	1,457
Write out of disposed non-current assets	11,368	6,542
Total Expenditure	**857,450**	**868,189**
Fees, charges and other service income	(203,892)	(215,952)
Income from non-current asset disposals	(44,042)	(12,716)
Interest receivable	(3,754)	(4,119)
Income from council tax	(129,340)	(137,235)
Income from non-domestic rates	(55,082)	(55,370)
Government grants and contributions	(426,502)	(401,972)
Total Income	**(862,612)**	**(827,364)**
(Surplus) / Deficit on the Provision of Services	**(5,162)**	**40,825**

The fees, charges and other service income (i.e. income received from external customers) is analysed further in the below table on an operating segment basis:

Income received from External Customers analysed over Operating Segments		
	2017/18	2018/19
	£'000	£'000
Families, children & learning	(8,084)	(7,937)
Health & adult social care	(30,006)	(33,109)
Dedicated schools grant	(11,328)	(12,034)
Economy, environment & culture	(58,522)	(69,508)
Neighbourhood, communities & housing	(18,250)	(17,360)
Finance & resources	(7,827)	(6,575)
Strategy, governance & law	(3,794)	(3,567)
Housing Revenue Account (HRA)	(58,357)	(60,491)
Corporate budgets	(122)	(1,042)
Other income and expenditure	(7,602)	(4,329)
Total Income received from External Customers	**(203,892)**	**(215,952)**

Further details on the income received by the council, in the form of grant and contributions, from government bodies is detailed in note 14.

Exceptional Items of Income and Expense

The council has included exceptional items of (£3.438m) and £11.475m on the face of its CIES relating to the reversal of previous financial year's revaluation losses on council dwellings charged to the CIES in previous financial years and revaluation losses on council dwellings.

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

Movement in Reserves Statement (MiRS)

Movement in Reserves Statement						
2018/19	Balance as at 1 April 2018 £'000	Total Comprehensive Income and Expenditure £'000	Adjustments between Accounting Basis and Funding Basis under Regulations £'000	Other Adjustments between reserves £'000	Net (Increase) / Decrease £'000	Balance as at 31 March 2019 £'000
USABLE RESERVES						
Usable reserves held for revenue purposes						
General fund balance (including GF earmarked reserves)	(48,741)	46,660	(55,026)	0	(8,366)	(57,107)
HRA balance (including HRA earmarked reserves)	(8,822)	(5,834)	4,372	0	(1,462)	(10,284)
Usable reserves held for capital purposes						
Capital receipts reserve	(41,377)	0	3,831	0	3,831	(37,546)
Major repairs reserve	48	0	(48)	0	(48)	0
Capital grants unapplied	(9,146)	0	831	0	831	(8,315)
Total Usable Reserves	(108,038)	40,826	(46,040)	0	(5,214)	(113,252)
UNUSABLE RESERVES						
Unusable reserves held for revenue purposes						
Collection fund adjustment account	(584)	0	2,955	0	2,955	2,371
Financial instruments adjustment account	1,076	0	8,977	0	8,977	10,053
Available for sale financial instruments reserve	2	(2)	0	0	(2)	0
Pooled Investment Funds Adjustment Account	0	0	1	0	1	1
Pensions reserve	257,219	65,281	31,323	0	96,604	353,823
Accumulated absences account	3,675	0	(312)	0	(312)	3,363
Total Unusable Reserves Held for Revenue Purposes	261,388	65,279	42,944	0	108,223	369,611
Unusable reserves held for capital purposes						
Revaluation reserve	(497,991)	(22,677)	9,439	0	(13,238)	(511,229)
Capital adjustment account	(1,180,049)	0	(6,347)	0	(6,347)	(1,186,396)
Deferred capital receipts reserve	(6,213)	0	4	0	4	(6,209)
Total Unusable Reserves Held for Capital Purposes	(1,684,253)	(22,677)	3,096	0	(19,581)	(1,703,834)
Total Unusable Reserves	(1,422,865)	42,602	46,040	0	88,642	(1,334,223)
Total Reserves	(1,530,903)	83,428	0	0	83,428	(1,447,475)

Movement in Reserves Statement						
2017/18	Balance as at 1 April 2017	Total Comprehensive Income and Expenditure	Adjustments between Accounting Basis and Funding Basis under Regulations	Other Adjustments between reserves	Net (Increase) / Decrease	Balance as at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
USABLE RESERVES						
Usable reserves held for revenue purposes						
General fund balance (including GF earmarked reserves)	(46,861)	10,529	(12,405)	(4)	(1,880)	(48,741)
HRA balance (including HRA earmarked reserves)	(9,387)	(15,691)	16,256	0	565	(8,822)
Usable reserves held for capital purposes						
Capital receipts reserve	(11,547)	0	(29,830)	0	(29,830)	(41,377)
Major repairs reserve	48	0	0	0	0	48
Capital grants unapplied	(3,825)	0	(5,325)	4	(5,321)	(9,146)
Total Usable Reserves	(71,572)	(5,162)	(31,304)	0	(36,466)	(108,038)
UNUSABLE RESERVES						
Unusable reserves held for revenue purposes						
Collection fund adjustment account	200	0	(784)	0	(784)	(584)
Financial instruments adjustment account	1,011	0	65	0	65	1,076
Available for sale financial instruments reserve	(100)	102	0	0	102	2
Pensions reserve	254,897	(24,948)	27,270	0	2,322	257,219
Accumulated absences account	3,878	0	(203)	0	(203)	3,675
Total Unusable Reserves Held for Revenue Purposes	259,886	(24,846)	26,348	0	1,502	261,388
Unusable reserves held for capital purposes						
Revaluation reserve	(471,079)	(35,306)	8,394	0	(26,912)	(497,991)
Capital adjustment account	(1,176,603)	0	(3,446)	0	(3,446)	(1,180,049)
Deferred capital receipts reserve	(6,221)	0	8	0	8	(6,213)
Total Unusable Reserves Held for Capital Purposes	(1,653,903)	(35,306)	4,956	0	(30,350)	(1,684,253)
Total Unusable Reserves	(1,394,017)	(60,152)	31,304	0	(28,848)	(1,422,865)
Total Reserves	(1,465,589)	(65,314)	0	0	(65,314)	(1,530,903)

The note below provides more detail on the usable reserves and the adjustments made between the accounting basis and funding basis under regulations. Note 6 provides more detail on the unusable reserves.

Notes to the Movement in Reserves Statement (MiRS)

The following analysis sets out the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure and sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund balance 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 provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the year end. The General Fund balance shows the resources available to meet future running costs for non HRA housing services; it is not available to be applied to fund HRA services.

Housing Revenue Account Balance

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

The capital receipts reserve holds the proceeds from the disposal of non-current assets, which are restricted by statute from being used other than to fund new capital investment or to be set aside to finance historical capital investment. Capital receipts may also be used under the flexible use of capital receipts direction to meet expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Major Repairs Reserve

The council is required to maintain a major repairs reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historic capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the end of the financial year.

Capital Grants Unapplied Account

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

Adjustments between Accounting Basis and Funding Basis under Regulations						
2018/19	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Adjustments £'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance wuth statutory requirements						
Pension costs (transferred to / (from) the pensions reserve)	(30,076)	(1,246)	0	0	0	**(31,322)**
Financial instruments (transferred to / (from) the financial instruments adjustment account)	(4,110)	(4,865)	0	0	0	**(8,975)**
Council tax and NDR (transferred to / (from) the collection fund adjustment account)	(2,956)	0	0	0	0	**(2,956)**
Employees' paid absences (transferred to the accumulated absenses account)	310	2	0	0	0	**312**
Reversals of entries included in the CIES in relation to capital expenditure (these items are charged to the capital adjustment account)	(55,159)	(13,126)	0	(13,397)	0	**(81,682)**
Total Adjustments to Revenue Resources	**(91,991)**	**(19,235)**	**0**	**(13,397)**	**0**	**(124,623)**
Adjustments between Revenue and Capital Resources						
Non current asset sale proceeds	3,591	9,052	(12,643)	0	0	**0**
Payments to the government housing capital receipts pool	(1,456)	0	1,456	0	0	**0**
Statutory and voluntary provision for the repayment of debt (transfer from the capital adjustment account)	9,929	913	0	0	0	**10,842**
Capital expenditure financed from revenue balances (transfer from the capital adjustment account)	397	13,222	0	0	0	**13,619**
Use of capital receipts to fund voluntary severance costs	(3,306)	0	3,306	0	0	**0**
Total Adjustments between Revenue and Capital Resources	**9,155**	**23,187**	**(7,881)**	**0**	**0**	**24,461**
Adjustments to the Capital Resources						
Use of the capital receipts reserve to finance capital expendiure	0	0	11,712	0	0	**11,712**
Use of the major receipts reserve to finance capital expendiure	0	0	0	13,349	0	**13,349**
Use of earmarked reserves to finance capital expenditure	60	80	0	0	0	**140**
Reversal of entries included in the CIES in relation to capital grants unapplied	3,002	0	0	0	(3,002)	**0**
Application of capital grants to finance capital expenditure	24,753	339	0	0	3,833	**28,925**
Cash payments in relation to deferred capital receipts	(4)	0	0	0	0	**(4)**
Total Adjustments to Capital Resources	**27,811**	**419**	**11,712**	**13,349**	**831**	**54,122**
Total Adjustments	**(55,025)**	**4,371**	**3,831**	**(48)**	**831**	**(46,040)**

Adjustments between Accounting Basis and Funding Basis under Regulations						
2017/18 Comparative Figures	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Adjustments £'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements						
Pension costs (transferred to / (from) the pensions reserve)	(26,047)	(1,223)	0	0	0	(27,270)
Financial instruments (transferred to / (from) the financial instruments adjustment account)	26	(91)	0	0	0	(65)
Council tax and NDR (transferred to / (from) the collection fund adjustment account)	784	0	0	0	0	784
Employees' paid absences (transferred to the accumulated absenses account)	214	(11)	0	0	0	203
Reversals of entries included in the CIES in relation to capital expenditure (these items are charged to the capital adjustment account)	(61,874)	(7,600)	0	(12,363)	0	(81,837)
Total Adjustments to Revenue Resources	**(86,897)**	**(8,925)**	**0**	**(12,363)**	**0**	**(108,185)**
Adjustments between Revenue and Capital Resources						
Non current asset sale proceeds	35,802	8,174	(43,976)	0	0	0
Payments to the government housing capital receipts pool	(1,234)	0	1,234	0	0	0
Statutory and voluntary provision for the repayment of debt (transfer from the capital adjustment account)	9,375	548	0	0	0	9,923
Capital expenditure financed from revenue balances	987	14,888	0	0	0	15,875
Use of capital receipts to fund voluntary severance costs	(2,829)	0	2,829	0	0	0
Total Adjustments between Revenue and Capital Resources	**42,101**	**23,610**	**(39,913)**	**0**	**0**	**25,798**
Adjustments to the Capital Resources						
Use of the capital receipts reserve to finance capital expenditure	0	0	10,083	0	0	10,083
Use of the major receipts reserve to finance capital expenditure	0	0	0	12,363	0	12,363
Use of earmarked reserves to finance capital expenditure	542	40	0	0	0	582
Reversal of entries included in the CIES in relation to capital grants unapplied	6,182	0	0	0	(6,182)	0
Application of capital grants to finance capital expenditure	25,673	1,531	0	0	857	28,061
Cash payments in relation to deferred capital receipts	(6)	0	0	0	0	(6)
Total Adjustments to Capital Resources	**32,391**	**1,571**	**10,083**	**12,363**	**(5,325)**	**51,083**
Total Adjustments	**(12,405)**	**16,256**	**(29,830)**	**0**	**(5,325)**	**(31,304)**

Balance Sheet

Balance Sheet			
As at 31 March 2018 £'000	Note		As at 31 March 2019 £'000
Long Term Assets			
1,735,657	**8**	Property, plant and equipment	1,739,353
204,452	**8**	Heritage assets	210,530
49,983	**8**	Investment property	58,559
4,648	**8**	Long term intangible assets	6,981
5,060	**10**	Long term investments	6,238
45,499	**11**	Long term debtors	42,436
2,045,299		**Long Term Assets**	**2,064,097**
Current Assets			
63,699	**10**	Short term investments	67,703
925		Inventories	1,053
60,334	**11**	Short term debtors	48,573
65,853	**10**	Cash equivalents	78,993
2,170	**8**	Short term assets held for sale	3,978
282	**13**	Short term intangible assets	114
193,263		**Current Assets**	**200,414**
Current Liabilities			
(2,512)	**10**	Bank overdraft	(1,803)
(11,279)	**10**	Short term borrowing	(18,955)
(81,015)	**12**	Short term creditors	(84,466)
(351)	**13**	Short term provisions	(252)
(95,157)		**Current Liabilities**	**(105,476)**
Long Term Liabilities			
(5,065)	**13**	Long term provisions	(8,426)
(257,451)	**10**	Long term borrowing	(251,180)
(304,224)	**23, 16**	Other long term liabilities	(398,199)
(45,762)	**14**	Capital grant receipts in advance	(53,755)
(612,502)		**Long Term Liabilities**	**(711,560)**
1,530,903		**Net Assets**	**1,447,475**
(108,038)	**5, 7**	Usable reserves	(113,252)
(1,422,865)	**6**	Unusable reserves	(1,334,223)
(1,530,903)		**Total Reserves**	**(1,447,475)**

These financial statements replace the unaudited financial statements certified by the Executive Director Finance & Resources (Section 151 Officer) on 31 May 2019.

David Kuenssberg CPFA

Executive Director Finance & Resources (Section 151 Officer)
17 September 2019

Housing Revenue Account Income and Expenditure Statement

Housing Revenue Account Income and Expenditure Statement		
Year Ended 31 March 2018		Year Ended 31 March 2019
£'000		£'000
	Expenditure	
10,077	Repairs and maintenance	9,673
14,584	Supervision and management	15,320
1,591	Rents, rates, taxes and other charges	1,625
16,017	Non-current asset charges - depreciation, amortisation, revaluation and impairment	22,317
46	Debt management costs	71
228	Movement in allowance for bad debts	318
42,543	**Total Expenditure**	**49,324**
	Income	
(50,019)	Dwelling rents	(50,322)
(1,443)	Non-dwelling rents	(1,603)
(5,654)	Charges for services and facilities	(7,471)
(1,242)	Other income	(1,135)
(58,358)	**Total Income**	**(60,531)**
(15,815)	**Net Expenditure / (Income) of HRA Services as included in the CIES**	**(11,207)**
234	HRA share of corporate and democratic core	234
(15,581)	**Net Expenditure / (Income) of HRA Services**	**(10,973)**
	Share of the operating income and expenditure included in the CIES	
(4,294)	(Gain) / loss on disposal of HRA non current assets	(4,872)
(2)	Changes in the fair value of investment properties	(23)
(34)	Investment property income	(34)
5,500	Interest payable	10,150
(42)	Interest receivable	(48)
(1,531)	Capital grants and contributions	(339)
293	Net interest on the net defined benefit liability	305
(15,691)	**(Surplus) / Deficit on the Provision of HRA Services**	**(5,834)**

Cash Flow Statement

Cash Flow Statement		
2017/18 £'000		2018/19 £'000
5,162	**Net surplus / (deficit) on the provision of services**	**(40,825)**
70,667	Non-current asset charges - depreciation, amortisation, revaluation and impairment	67,989
9,621	Increase / (decrease) in creditors	(869)
(27,128)	(Increase) / decrease in debtors	8,765
27,270	Movement in the pension liability (element charged to the surplus / deficit on the provision of services)	31,323
10,809	Carrying amount of non-current asset disposals	6,448
(3,218)	Movement in the fair value of investment properties	(1,563)
525	Contributions to / (from) provisions	3,429
1,040	Adjustments for effective interest rates	0
(21)	Other adjustments	(884)
89,565	**Adjustment to surplus / (deficit) on the provision of services for non-cash movements**	**114,638**
(33,386)	Capital grants and contributions	(28,096)
(43,957)	Proceeds from the disposal of non-current assets	(12,556)
(77,343)	**Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities**	**(40,652)**
17,384	**Net Cash Flows from Operating Activities**	**33,161**
(67,155)	Purchase of non-current assets (including the movement in capital creditors and debtors)	(72,830)
(113,046)	Purchase of short and long term investments	(81,506)
108,784	Proceeds from short term investments	77,500
43,958	Proceeds from the disposal of non-current assets	12,556
46,105	Capital grants and contributions received	40,728
76	Other capital cash payments / (receipts)	0
18,722	**Net Cash Flows from Investing Activities**	**(23,552)**
5,483	Cash receipts of short and long term borrowing	36,683
1,299	Billing authorities - council tax and non-domestic rates adjustments	2,732
(1,967)	Repayment of short term and long term borrowing	(35,175)
4,815	**Net Cash Flows from Financing Activities**	**4,240**
40,921	**Net Increase / (Decrease) in Cash and Cash Equivalents**	**13,849**
(2,397)	Bank current accounts	(2,512)
24,817	Short term deposits	65,853
22,420	**Cash and Cash Equivalents as at 1 April**	**63,341**
(2,512)	Bank current accounts	(1,803)
65,853	Short term deposits	78,993
63,341	**Cash and Cash Equivalents as at 31 March**	**77,190**

Operating activities include the following cash flows relating to interest

Net Cash Flows from Operating Activities relating to Interest		
2017/18		2018/19
£'000		£'000
3,754	Interest received	4,201
(18,373)	Interest paid	(17,694)
(14,619)	**Net Cash Flows from Operating Activities relating to Interest**	**(13,493)**

Reconciliation of Liabilities arising from Financing Activities

	1 April 2018	Financing Cash Flows	Non Cash Changes	31 March 2019
	£'000	£'000	£'000	£'000
Long Term Borrowings	(257,451)	9,372	(3,101)	(251,180)
Short Term Borrowings	(11,279)	(7,676)	0	(18,955)
PFI Liabilities	(49,458)	2,454	0	(47,004)
Net cash outflow from financing activities	**(318,188)**	**4,150**	**(3,101)**	**(317,139)**

Collection Fund Statement

Collection Fund Statement				
Year Ended 31 March 2018		Year Ended 31 March 2019		
		Council Tax	Non Domestic Rates	Total
£'000		£'000	£'000	£'000
(150,860)	Council tax	(160,892)	0	(160,892)
(111,832)	Non-domestic rates	0	(116,531)	(116,531)
(262,692)		(160,892)	(116,531)	(277,423)
(5,961)	Transitional protection payments non-domestic rates		(4,383)	(4,383)
(5,961)			(4,383)	(4,383)
	Contributions towards previous year's Collection Fund deficit			
(1,719)	Central Government		(1,724)	(1,724)
(1,684)	Brighton & Hove City Council		(1,690)	(1,690)
(34)	East Sussex Fire Authority		(34)	(34)
(3,437)			(3,448)	(3,448)
(272,090)	**Total amount required by statute to be credited to the Collection Fund**	(160,892)	(124,363)	(285,254)
	Precepts and demands from major preceptors and the council - council tax			
127,791	Brighton & Hove City Council	137,902		137,902
13,450	Sussex Police & Crime Commissioner	14,762		14,762
7,725	East Sussex Fire Authority	8,097		8,097
148,966		160,761		160,761
	Shares of non-domestic rates income to major preceptors and the council			
56,877	Brighton & Hove City Council		57,258	57,258
1,161	East Sussex Fire Authority		1,169	1,169
58,038			58,427	58,427
58,038	Payment with respect to central share (including allowable deductions) of the non-domestic rates income to be paid to central government		58,427	58,427
0	Transitional protection payment receivable			0
58,038			58,427	58,427
	Impairment of debts / appeals for council tax			
730	Write off of uncollectable amounts	526		526
(643)	Allowance for impairment	381		381
87		907		907
	Impairment of debts / appeals for non-domestic rates			
263	Write off of uncollectable amounts		290	290
811	Allowance for impairment		1,032	1,032
1,074			1,322	1,322
3,875	Movement in the provision for business rates appeals		6,150	6,150
432	Charge to General Fund for allowable collection fund costs for non-domestic rates		442	442
4,307			6,592	6,592
	Contributions towards previous year's Collection Fund surplus			
654	Brighton & Hove City Council	2,091		2,091
70	Sussex Police & Crime Commissioner	220		220
41	East Sussex Fire Authority	126		126
765		2,437	0	2,437
271,275	**Total amount required by statute to be debited to the Collection Fund**	164,105	124,768	288,873
(815)	**Total movement on the Collection Fund Balance**	3,213	405	3,618
1,749	**Total Opening Collection Fund Balance**	(2,836)	3,770	934
934	**Total Closing Collection Fund Balance**	377	4,175	4,552

Other Notes to the Financial Statements

1 Accounting Policies

The council has included its accounting policies in a separate section of the financial statements which can be found on pages 127 to 147.

- The accounting policy on Financial Assets and Liabilities has been updated to include the adoption of IFRS 9 – Financial Instruments.
- The accounting policy on Revenue Recognition has been updated to include the adoption of IFRS 15 – Revenue from Contracts with Customers.

2 Accounting Standards that have been issued but have not yet been adopted

Under the Code, the Authority is required to disclose details on the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The new standards introduced by the Code that will need to be adopted by the council in 2019/20 are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Any new accounting standards which are not expected to have an impact on the Authority's financial statements in 2018/19 and beyond are not disclosed in this note.

3 Critical Judgements and Assumptions Made

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

Changes in accounting estimates are adjustments of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities. Changes in accounting estimates result from new information or new developments, and accordingly are not corrections of errors.

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

Critical Judgements in Applying Accounting Policies

- **Provisions / Contingent Assets and Liabilities** – The council is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the council also exercises judgement; they are measured at the council's best estimate of the costs required to settle or discharge the obligation at the Balance Sheet date. The level of the council's provisions and details of its contingent liabilities and assets are set out in notes 13 and 17;
- **Asset Componentisation** – The council has componentised its building assets using categories of typical buildings that the vast majority of its asset base would fall under. The council has exercised judgement on the main components that make up these typical buildings based on professional advice from the council's quantity surveyors. The council has also exercised judgement in classifying its assets under each typical building category and whether assets fall outside these categories and require individual attention for asset componentisation purposes;
- **Future Levels of Government Funding and Levels of Reserves** – The future levels of funding for local authorities have a high degree of uncertainty. The council has set aside amounts in provisions, working balances and reserves which it considers are appropriate based on local circumstances including its overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the council's track record in financial management;
- **Classification of Leases** – The council has entered into a number of lease arrangements in respect of property and other assets. The council has exercised judgement in the classification of leases (i.e. operating or finance lease) using such factors as the length of the lease and rent levels. It also reviews contractual arrangements to assess for lease type arrangements which may indicate the substance of a lease (e.g. contract values and length of contract). The council classifies all leases under 40 years as operating leases unless it is clear that all risks and rewards have transferred. In cases, where the council has deemed that a lease contains both an operating and finance lease element, it applies a materiality percentage of 20% in classifying both elements as a finance lease. Where the council sublets assets acquired under operating leases, these are treated, for disclosure purposes, as separate leases and are disclosed under operating leases where the council acts as the lessor. Details of the council's leases and lease type arrangements are set out in note 15;
- **Voluntary Aided Schools** – The council has determined that the buildings relating to voluntary aided schools do not meet the definition criteria of control under IAS 16 Property, Plant and Equipment; properties are owned by the diocese and the school occupies the premises under a licence with no interest being passed to the council. The council does not have sufficient control over the property to meet the definition criteria of an asset and therefore does not recognise the assets on its Balance Sheet;
- **Academy Schools** – The council has exercised judgement of the treatment of the assets of schools which have converted to academy status based on the current status of the asset and the terms and conditions of any leases that are in place as at the Balance Sheet date. In respect of both Brighton Aldridge Community Academy (BACA) and Portslade Aldridge Community Academy (PACA), the new schools are operational and have been transferred to the possession of BACA and PACA respectively. The schools land and buildings are subject to long term leases (125 years) to commence on completion of the contract; however, the final (legal) execution of the leases has been subject to delay and were not in place as at the Balance Sheet date. Therefore, the assets remain under the control of the council until the long term leases are signed and the council continues to hold the assets on its Balance Sheet for the financial year;

- **Heritage Assets** – The council has exercised judgement on the classification of assets held meeting the criteria of a heritage asset. Where there are clear indications of assets having an operational nature, there is no judgement exercised; however, in some cases, there is not a straightforward distinction. In such cases, the council has based its categorisation on the asset being of a nature that would attract visitors to the city;
- **Brighton & Hove Seaside Community Homes Ltd** – The council has exercised judgement of the existence of a group relationship between the company and the council based on the definition of control and tests set out in IFRS10 Consolidated Financial Statements. The council's main exercise of judgement is in relation to these tests and whether the council has the power to control the company, exposure or rights to variable returns and the ability to affect the company's returns. Following an assessment of the relationship, the council has concluded that the arrangement does not meet the definition under IFRS10 for group accounting purposes;
- **Homes for the City of Brighton and Hove LLP and Homes for the City of Brighton & Hove Design & Build Company Limited** - The council has exercised judgement on the existence of group relationships between the companies and the council based on the definition of control and tests set out by IFRS10 Consolidated Financial Statements. Following an assessment of the relationship, the council has concluded that the arrangement does meet the definition under IFRS10 for group account purposes, however the interest is not considered material in preparing the 2018/19 financial statements and therefore group accounts have not been produced;
- **Better Care Fund (BCF)** – The Brighton & Hove Better Care Fund is a joint arrangement, under a S75 agreement, between the council and the Brighton & Hove Clinical Commissioning Group for the commissioning of health and social care services from the Brighton & Hove Better Care Fund. The council has exercised judgement in accounting for the BCF as a joint operation under IFRS 11 *Joint Arrangements.* Although the parties to the BCF pooled budget agreement have joint control, no separate vehicle has been created in this arrangement;
- **The Keep** – The Keep is an archive and historical resource centre. The council has exercised judgement in recognising the Keep as a joint operation with East Sussex County Council under IFRS 11 *Joint Arrangements*. The council includes a one third share of the asset on its Balance Sheet.

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

- **Retirement Benefit Obligation** – The estimation of the net pension liability depends upon a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the council with expert advice about the assumptions it should consider applying. The council's net liability for future pension payments, as estimated by the pension actuary, is £353.823m as 31 March 2019. Changes in these assumptions can have a significant effect on the value of the council's retirement benefit obligation. The key assumptions made and sensitivities to these assumptions are set out in note 23;
- **Impairment of Financial Assets** – The council provides for the impairment of its receivables based on the age and type of each debt. The percentages applied reflect an assessment of the recoverability of each debt. The total allowance for impairment of financial assets charged to the CIES, including Collection Fund, was £4.946 in 2018/19 resulting in a total allowance of £41.434m as at 31 March 2019. If the recovery rate of debt were to fall the council will need to consider raising its allowance.

- **Property, Plant and Equipment** – Assets are depreciated over useful lives that are dependent on assumptions such as the level of repairs and maintenance that will be incurred in relation to individual types of asset, the expected length of service potential of the asset and the likelihood of the council's usage of the asset. The council carries out an annual impairment review of its asset base which takes into account such factors as the current economic climate and local property value indices. The council depreciated its Property, Plant and Equipment by £54.844m during 2018/19 and the net carrying amount of Property, Plant and Equipment was £1,739.353m at 31 March 2019. If the useful life of assets reduced, depreciation would increase and the carrying amount of each asset would reduce. It is estimated that the annual depreciation charge for Property, Plant and Equipment would increase by £7.149m for every one year that useful lives had to be reduced.
- **Fair Value Measurement** – When fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs for these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities. Where Level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the assets and liabilities of the council are disclosed in notes 8 and 10;
- **Payments due under Private Finance Initiative (PFI)** – The council recognises and discloses its payments due under PFI arrangements based on financial models prepared at the time the PFI project commenced. The estimation of the repayment of PFI liability is estimated as £47.004m as at 31 March 2019 based on a judgement of the overall cost of the assets and the rate of return within each PFI project. The payment for services due under PFI arrangements is estimated to be £208.283m as at 31 March 2019 based on a projection for future inflation. Changes in these assumptions can have a significant effect on the value of the payments under the PFI projects and it is estimated that an increase of 1% in inflation assumptions could result in an increase in payment for services of £0.054m in 2019/20 and a further £16.829m over the remaining period of the PFI arrangements. The key assumptions relating to PFI arrangements are set out in note 16;
- **Business rate appeals** – The council has applied judgement in calculating the provision for business rate appeals based on data from the Valuation Office Agency (VOA) regarding outstanding appeals where estimates of the likelihood of success, the amount of the reduction, nationally assumed reductions, and the backdating of the appeal have been based upon averages of historic settled appeals data. Different averages have been calculated for the different types of appeal. The council's share of the provision charged to the collection fund was £3.387 in 2018/19 resulting in the council's share of the provision at 31 March 2019 being £7.430m;
- **Minimum Revenue Provision (MRP)** – The council is required to set aside a prudent sum for the repayment of debt (MRP); this is provided for on a 2% straight line basis on supported debt, and an asset life basis for unsupported debt. The total sum set aside from revenue in 2018/19 is disclosed in note 9.

4 Events after the Reporting Period

These financial statements were authorised for issue by the Executive Director Finance & Resources on 23 July 2019. Events taking place after this date are not reflected in the financial statements or notes.

There are no events after the reporting period to be reported.

5 Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement.

6 Unusable Reserves

Capital Adjustment Account (CAA)

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

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

Capital Adjustment Account		
	2017/18 £'000	2018/19 £'000
Balance as at 1 April	**(1,176,603)**	**(1,180,049)**
Adjustments between accounting basis and funding basis under regulations		
Charges for depreciation and impairment of non-current assets	48,115	55,623
Impairment losses on Financial Assets	0	3,773
Revaluation losses on non-current assets	41,388	22,324
Upward revaluations reversing previous revaluation losses on non-current assets	(19,795)	(15,110)
Amortisation of intangible assets	959	1,401
Revenue expenditure funded from capital under statute	3,581	8,787
Amounts of non-current assets written off on disposal as part of the gain / loss on disposal to the CIES	10,807	6,448
Adjusting amounts written out to the revaluation reserve	(8,394)	(9,439)
Use of the capital receipts reserve to finance new capital investment	(10,083)	(11,712)
Use of the HRA balance to finance new capital investment	(950)	(894)
Use of the major repairs reserve to finance new capital investment	(12,363)	(13,397)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(27,204)	(25,093)
Application of grants to capital financing from the capital grants unapplied account	(857)	(3,831)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(4,614)	(4,781)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(5,309)	(6,062)
Capital investment charged against the General Fund and HRA balances	(14,926)	(12,725)
Movements in the market value of investment properties debited / (credited) to the CIES	(3,218)	(1,563)
Use of earmarked reserves to finance new capital investment	(583)	(96)
Total adjustments between accounting basis and funding basis under regulations	**(3,446)**	**(6,347)**
Balance as at 31 March	**(1,180,049)**	**(1,186,396)**

Revaluation Reserve

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

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

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

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

Revaluation Reserve	2017/18 £'000	2018/19 £'000
Balance as at 1 April	**(471,079)**	**(497,991)**
Other comprehensive income and expenditure		
Upward revaluation of non-current assets	(68,010)	(39,836)
Downward revaluation of non-current assets and impairment losses not charged to the surplus / deficit on the provision of services	32,704	17,159
Total other comprehensive income and expenditure	**(35,306)**	**(22,677)**
Adjustments between accounting basis and funding basis under regulations		
Difference between fair value depreciation and historical cost depreciation	4,618	5,445
Accumulated gains on non-current asset disposals	3,776	3,994
Other amounts written off to / (from) the capital adjustment account	0	0
Total adjustments between accounting basis and funding basis under regulations	**8,394**	**9,439**
Balance as at 31 March	**(497,991)**	**(511,229)**

Deferred Capital Receipts Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat those gains as usable for financing new capital investment until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve. As at 31 March, the balance on the reserve was £6.209m (£6.214m 31 March 2018).

Collection Fund Adjustment Account

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

Collection Fund Adjustment Account		
	2017/18	2018/19
	£'000	£'000
Balance as at 1 April	**200**	**(584)**
Adjustments between accounting basis and funding basis under regulations		
Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated in accordance with statutory requirements	(784)	2,955
Total adjustments between accounting basis and funding basis under regulations	**(784)**	**2,955**
Balance as at 31 March	**(584)**	**2,371**

Available for Sale Financial Instruments Reserve

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

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

The reserve is matched by borrowings and investments on the Balance Sheet and therefore is not a resource available to the council. As at 31 March, the balance on the reserve was £nil £0.002m 31 March 2018). Under IFRS 9 Financial Instruments this reserve has been removed and replaced by the Financial Instruments Revaluation Reserve and Pooled Funds Adjustment Account.

Financial Instruments Adjustment Account

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

As at 31 March, the balance on the reserve was £10.053m (£1.076m 31 March 2018).

Pensions Reserve

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

Pensions Reserve		
	2017/18	2018/19
	£'000	£'000
Balance as at 1 April	**254,897**	**257,219**
Other comprehensive income and expenditure		
Remeasurements of the net defined benefit liability	(24,948)	65,332
Total other comprehensive income and expenditure	**(24,948)**	**65,332**
Adjustments between accounting basis and funding basis under regulations		
Reversal of items relating to retirement benefits charged to the surplus / deficit on the provision of services	54,901	60,912
Employer's pensions contributions payable	(27,631)	(29,640)
Total adjustments between accounting basis and funding basis under regulations	**27,270**	**31,272**
Balance as at 31 March	**257,219**	**353,823**

Accumulated Absences Account

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

Accumulated Absences Account		
	2017/18	2018/19
	£'000	£'000
Balance as at 1 April	**3,878**	**3,675**
Adjustments between accounting basis and funding basis under regulations		
Settlement / cancellation of accrual made at the end of the preceding reporting period	(3,878)	(3,675)
Amounts accrued at the end of the current reporting period	3,675	3,363
Total adjustments between accounting basis and funding basis under regulations	**(203)**	**(312)**
Balance as at 31 March	**3,675**	**3,363**

7 Earmarked Reserves

The following table shows amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in the financial year:

Transfers to / from Earmarked Reserves							
	Balance at 31 March 2017	2017/18 Transfers To	2017/18 Transfers From	Balance at 31 March 2018	2018/19 Transfers To	2018/19 Transfers From	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EARMARKED GENERAL FUND RESERVES							
Schools LMS reserves	(1,293)	(710)	0	(2,003)	(2,222)	0	(4,225)
Capital reserves	(663)	(440)	770	(333)	(451)	384	(400)
Departmental carry forwards	(975)	(1,163)	975	(1,163)	(1,304)	1,163	(1,304)
Restructure redundancy reserve	0	(398)	144	(254)	(84)	129	(209)
Brighton Centre redevelopment reserve	(3,091)	(16)	285	(2,822)	(23)	0	(2,845)
Brighton i360 reserve	(2,390)	(1,452)	186	(3,656)	(1,437)	54	(5,039)
Insurance reserves	(5,561)	(32)	0	(5,593)	(44)	182	(5,455)
PFI reserves	(5,325)	(632)	44	(5,913)	(600)	172	(6,341)
Revenue grants carry forward reserve	(1,852)	(694)	1,651	(895)	(1,614)	694	(1,815)
City Deal New England House development reserve	(4,900)	0	0	(4,900)	0	0	(4,900)
Modernisation fund reserve	(1,387)	(537)	857	(1,067)	0	616	(451)
Business Rates S31 Adjustment Reserve	(62)	(1,286)	0	(1,348)	(533)	1,226	(655)
Other earmarked reserves	(8,095)	(2,222)	2,451	(7,866)	(1,965)	1,606	(8,225)
Total	(35,594)	(9,582)	7,363	(37,813)	(10,277)	6,226	(41,864)
EARMARKED HRA RESERVES							
Capital reserves	0	0	0	0	(1,500)	0	(1,500)
Restructure redundancy reserve	(388)	0	0	(388)	0	0	(388)
Other earmarked reserves	(939)	0	258	(681)	0	175	(506)
Total	(1,327)	0	258	(1,069)	(1,500)	175	(2,394)
Total Earmarked Reserves	(36,921)	(9,582)	7,621	(38,882)	(11,777)	6,401	(44,258)

Local Management of Schools (LMS) Reserve

The Local Management of Schools (LMS) reserve holds the balances held by the council's schools under a scheme of delegation. These reserves are held by each school and are used solely to provide education to the pupils of that school. The following table shows the level of reserves held by the council's schools as at 31 March:

Reserves Held by Schools				
	Balance as at 31 March 2018	2018/19 Unspent Balance	2018/19 Overspent Balance	Balance as at 31 March 2019
	£'000	£'000	£'000	£'000
Nursery schools	(53)	(64)	0	(64)
Primary schools	(2,512)	(4,187)	375	(3,812)
Secondary schools	484	(288)	299	11
Special schools	78	(396)	36	(360)
Total	**(2,003)**	**(4,935)**	**710**	**(4,225)**

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

Other Earmarked Reserves

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

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

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

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

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

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

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

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

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

The modernisation fund reserve represents money approved by the council's Corporate Modernisation Delivery Board, under delegation from full council, to fund projects and teams expected to improve value for money or lead to cost reductions in council services.

The Business Rates Section 31 Adjustment Reserves is used to offset the increased reliefs awarded in the collection fund funded by government Section 31 grant and the impact of revaluation covered by a reduced tariff payment which cannot be released into the budget until 2019/20.

Other Earmarked Reserves represents various other reserves with balances of less than £1.000m which are held for specific purposes.

8 Non-Current Assets

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

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

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

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

Non-Current Assets														
2018/19	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	Heritage Assets	Investment Property	Assets Held for Sale (Short Term)	Assets Held for Sale (Long Term)	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross carrying amount	860,684	732,326	41,880	205,666	2,601	23,225	6,280	1,872,662	204,452	49,983	2,170	0	10,836	2,140,103
Accumulated depreciation / amortisation	0	(7,232)	(22,084)	(107,689)	0	0	0	(137,005)	0	0	0	0	(6,188)	(143,193)
Net Carrying Amount at 1 April 2018	860,684	725,094	19,796	97,977	2,601	23,225	6,280	1,735,657	204,452	49,983	2,170	0	4,648	1,996,910
Capital Additions														
Additions	25,525	15,752	2,748	5,109	217	8,577	0	57,928	53	7,302	0	0	3,734	69,017
Asset Disposals														
Derecognition - disposals	(4,134)	(1,927)	(1,672)	0	0	0	0	(7,733)	0	(312)	0		0	(8,045)
Derecognition - disposals (depreciation)	0	78	1,521	0	0	0	0	1,599	0	0	0		0	1,599
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve														
Revaluation increases	11,601	20,302	0	0	0	0	650	32,553	6,118	0	1,165		0	39,836
Revaluation losses	(7,785)	(9,187)	0	0	0	0	(62)	(17,034)	(93)	0	0		0	(17,127)
Impairment losses	(32)	0	0	0	0	0	0	(32)	0	0	0		0	(32)
Transactions charged to the surplus / deficit on the provision of services in the CIES														
Reversal of previous revaluation losses and impairment losses	3,425	11,598	0	0	0	0	0	15,023	0	0	87		0	15,110
Depreciation / amortisation charge	(13,119)	(26,445)	(4,478)	(10,735)	0	0	(67)	(54,844)	0	0	0		(1,401)	(56,245)
Revaluation losses	(11,174)	(11,150)	0	0	0	0	(1)	(22,325)	0	0	0		0	(22,325)
Impairment losses	(883)	0	0	0	0	0	0	(883)	0	0	0		0	(883)
Revaluation of investment property	0	0	0	0	0	0	0	0	0	1,586	0		0	1,586
Other transactions														
Assets reclassified	9,119	(1,073)	0	0	0	(6,592)	(2,010)	(556)	0	0	556		0	0
Net Carrying Amount at 31 March 2019	873,227	723,042	17,915	92,351	2,818	25,210	4,790	1,739,353	210,530	58,559	3,978	0	6,981	2,019,401
Gross carrying amount	873,227	738,452	42,957	210,775	2,819	25,211	4,789	1,898,230	210,530	58,559	3,978		14,571	2,185,868
Accumulated depreciation / amortisation	0	(15,412)	(25,041)	(118,424)	0	0	0	(158,877)	0	0	0		(7,590)	(166,467)
Net Carrying Amount at 31 March 2019	873,227	723,040	17,916	92,351	2,819	25,211	4,789	1,739,353	210,530	58,559	3,978	0	6,981	2,019,401

2017/18	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	Heritage Assets	Investment Property	Assets Held for Sale (Short Term)	Intangible Assets	Total
	Non-Current Assets												
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross carrying amount	813,123	740,449	37,423	198,455	2,427	33,578	12,731	**1,838,186**	199,803	46,763	150	8,479	**2,093,381**
Accumulated depreciation / amortisation	0	(4,693)	(18,565)	(96,608)	0	0	0	**(119,866)**	0	0	0	(5,230)	**(125,096)**
Net Carrying Amount at 1 April 2017	**813,123**	**735,756**	**18,858**	**101,847**	**2,427**	**33,578**	**12,731**	**1,718,320**	**199,803**	**46,763**	**150**	**3,249**	**1,968,285**
Capital Additions													
Additions	28,570	15,245	4,274	7,212	174	13,573	0	**69,048**	169	0	0	2,358	**71,575**
Asset Disposals													
Derecognition - disposals	(3,859)	(3,177)	(294)	0	0	(2,503)	(1,387)	**(11,220)**	0	0	0	0	**(11,220)**
Derecognition - disposals (depreciation)	0	110	282	0	0	0	19	**411**	0	0	0	0	**411**
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve													
Revaluation increases	25,314	37,137	0	0	0	0	818	**63,269**	4,738	0	3	0	**68,010**
Revaluation losses	(7,646)	(21,950)	0	0	0	0	(2,850)	**(32,446)**	(258)	0	0	0	**(32,704)**
Transactions charged to the surplus / deficit on the provision of services in the CIES													
Reversal of previous revaluation losses and impairment losses	11,947	7,848	0	0	0	0	0	**19,795**	0	0	0	0	**19,795**
Depreciation / amortisation charge	(12,105)	(21,108)	(3,802)	(11,081)	0	0	(19)	**(48,115)**	0	0	0	(959)	**(49,074)**
Revaluation losses	(15,508)	(25,335)	0	0	0	0	(545)	**(41,388)**	0	0	0	0	**(41,388)**
Revaluation of investment property	0	0	0	0	0	0	0	**0**	0	3,220	0	0	**3,220**
Other transactions													
Assets reclassified	20,848	568	478	(1)	0	(21,423)	(2,487)	**(2,017)**	0	0	2,017	0	**0**
Net Carrying Amount at 31 March 2018	**860,684**	**725,094**	**19,796**	**97,977**	**2,601**	**23,225**	**6,280**	**1,735,657**	**204,452**	**49,983**	**2,170**	**4,648**	**1,996,910**
Gross carrying amount	860,684	732,326	41,880	205,666	2,601	23,225	6,280	**1,872,662**	204,452	49,983	2,170	10,836	**2,140,103**
Accumulated depreciation / amortisation	0	(7,232)	(22,084)	(107,689)	0	0	0	**(137,005)**	0	0	0	(6,188)	**(143,193)**
Net Carrying Amount at 31 March 2018	**860,684**	**725,094**	**19,796**	**97,977**	**2,601**	**23,225**	**6,280**	**1,735,657**	**204,452**	**49,983**	**2,170**	**4,648**	**1,996,910**

Summary of Transactions for Heritage Assets

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

Summary of Transactions on Heritage Assets		
	2017/18 £'000	2018/19 £'000
Cost of acquisitions		
Royal Pavilion	33	27
Volks Railway	136	27
Total Cost of Acquisitions	**169**	**54**
Carrying amount of assets disposed		
Volks Railway	0	0
Total Carrying Amount of Assets Disposed	**0**	**0**
Revaluation increases/(losses)		
Royal Pavilion	4,690	4,797
Collections	0	959
West Blatchington Windmill	34	35
Rottingdean Windmill	14	80
Rare Books	0	247
Volks Railway	(258)	(93)
Total Revaluation increases/(losses) Recognised	**4,480**	**6,025**
Carrying amount as at 31 March		
Royal Pavilion	161,036	165,860
Collections	31,960	32,919
West Blatchington Windmill	1,176	1,211
Rottingdean Windmill	489	569
Rare Books	8,240	8,487
Volks Railway	1,551	1,484
Total Carrying Amount as at 31 March	**204,452**	**210,530**

Valuations

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

Property, Plant and Equipment (PPE)

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

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

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

Rolling Programme for the Revaluation of Property, Plant and Equipment								
	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	0	42,957	210,775	2,819	25,211	0	281,762
Valued at current value:								
2018/19	873,227	391,285	0	0	0	0	4,789	1,269,301
2017/18	0	215,551	0	0	0	0	0	215,551
2016/17	0	94,058	0	0	0	0	0	94,058
2015/16	0	32,602	0	0	0	0	0	32,602
2014/15	0	4,956	0	0	0	0	0	4,956
Gross carrying amount	**873,227**	**738,452**	**42,957**	**210,775**	**2,819**	**25,211**	**4,789**	**1,898,230**
Accumulated depreciation	0	(15,412)	(25,041)	(118,424)	0	0	0	(158,877)
Net carrying amount	**873,227**	**723,040**	**17,916**	**92,351**	**2,819**	**25,211**	**4,789**	**1,739,353**

Surplus Assets

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. Inputs to the valuations, some of which are "unobservable" as defined by IFRS 13, include capitalisation rates, discount rates and comparable market values for both rents and vacant possession values. For these reasons, all valuations of the council's surplus assets are classified as Level 3 as defined by IFRS 13. There were no transfers between levels during the financial year.

<u>Valuation process</u>

Property is valued according to the market value method which includes both comparison and residual (cost based) approaches:

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

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

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

Quantitative Information about Fair Value Measurement (Surplus Assets)				
Property Type	Fair Value at 31 March 2019 £'000	Valuation techniques used to measure Fair Value	Unobservable inputs	Range of unobservable inputs
Surplus assets	4,789	Development appraisal	Rental values	Office: £64 to £175 psm
			Capital values	Residential: £2,650 to £7,000 psm
			Capitalisation rate	Office: 5% to 12%
			Construction costs	Residential: £1,560 to £2,153 psm
				Office: £1,481 to £1,617 psm
			Land values	Student housing: £20,000 to £25,000 per unit

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

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

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

Heritage Assets

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

Investment Property

The fair value of the council's investment property is measured annually. Valuations are carried out by the council's internal valuers and by independent property managing companies contracted by the council: Avison Young, Montagu Evans and Savills UK Ltd.

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

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

Valuation process

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

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

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

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

Quantitative Information about Fair Value Measurement (Investment Property)				
Property Type	**Fair Value at 31 March 2019 £'000**	**Valuation techniques used to measure Fair Value**	**Unobservable inputs**	**Range of unobservable inputs**
Urban commercial	58,559	Yield methodology	Rental values	Retail: £131 to £1,151 psm
				Office: £134 to £269 psm
				Car Park: £3 to £5 per space per day
				Garden Centre: £10 to £15 psm
				Public House (Ground Lease): £100 to £150 psm
			Capitalisation rate	Retail: 5% to 10%
				Office: 6% to 9.5%
				Car Park: 8%
				Garden Centre: 7%
				Public House (Ground Lease): 5 to 6%

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

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

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

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

The amount of gain in the financial year arising from changes in the fair value of the council's investment property was £8.576m.

Useful Lives

Assets of the same type generally have the same life but there are exceptions for specific assets. Operational buildings and surplus assets are generally valued with a life of either 20 or 50 years as advised by the council's valuers. In respect of the assets valued using depreciated replacement cost methodology as at 31 March 2019, 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 30 years. Asset lives for vehicles, plant, furniture and equipment are generally set at between five and ten years depending on the nature of the asset. The asset life for infrastructure assets is set at 20 years.

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

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

Impairment and Revaluation Losses

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

During 2018/19 the council has recognised significant revaluation losses on the following buildings: Court Farm (£3.300m) and Brighton Dome & Museum (£7.300m)These revaluation losses occurred as a result of the revaluation of assets in accordance with the council's asset revaluation policy and reconfiguration of farm tenancies

Contractual Commitments

At 31 March 2019, the council had entered into the following contractual commitments in respect of non-current assets:

Contractual Commitments in respect of Non Current Assets		
Scheme Name	Description	Total £'000
Council Dwellings		
Housing stock programme	Council dwellings works in progress	8,084
Other Land and Buildings		
City Development & Regen	Various regeneration projects across Brighton & Hove	80
City Environmental Management	Schemes in various parks	419
Culture Tourism and Sport	Royal Pavilion Estate works	722
Education and Skills	Works at various schools	236
Housing Revenue Account	Various HRA housing works	490
Property	Works on various council properties	70
Transport	Various highways schemes	357
Vehicles, Plant, Furniture and Equipment		
City Environmental Management	Purchase of new vehicles	34
Digital First	Digital First project	166
Education and Skills	IT equipment for schools	37
Housing Revenue Account	Purchase of new vehicles	31
ICT	IT Equipment for various council services	175
Intangible Assets		
Digital First project	Software and services	8

Income and Expenses in respect of Investment Property

The council lets properties in its investment portfolio at the full market rent achievable on the basis of the leases granted. The council received £3.227m of income in relation to investment properties in 2018/19 (£3.118m 2017/18). No revenue expenditure was incurred in relation to investment properties.

Intangible Assets acquired by way of a Government Grant

The council did not receive any grant funding to fund the acquisition of intangible assets in respect of ICT systems.

HRA Non-Current Assets

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

The council complies with the requirements of the Department for Communities and Local Government "Item 8 Credit and Debit (General) Determination from 1st April 2017" and the relevant CIPFA accounting guidance.

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

HRA Non-Current Assets								
2018/19	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total PPE	Investment Properties	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross carrying amount	860,684	16,584	410	9,533	887,211	215	439	887,865
Accumulated depreciation / amortisation	0	(447)	(406)	0	(853)	0	(439)	(1,292)
Net Carrying Amount at 1 April 2018	**860,684**	**16,137**	**4**	**9,533**	**886,358**	**215**	**0**	**886,573**
Capital additions								
Additions	25,525	666	298	3,653	30,142	0	172	30,314
Asset disposals								
Derecognition - disposals	(4,133)	(122)	(257)	0	(4,512)	0	0	(4,512)
Derecognition - disposals (depreciation)	0	2	257	0	259	0	0	259
Transactions in respect of the surplus on revaluation of non-current assets within the HRA Income and Expenditure Statement								
Revaluation increases	11,601	1,187	0	0	12,788	0	0	12,788
Revaluation losses	(7,785)	(674)	0	0	(8,459)	0	0	(8,459)
Impairment losses	(32)	0	0	0	(32)	0	0	(32)
Transactions charged to the surplus / deficit on the provision of services within the HRA Income and Expenditure Statement								
Reversal of previous revaluation losses	3,425	13	0	0	3,438	0	0	3,438
Depreciation / amortisation charge	(13,119)	(277)	(1)	0	(13,397)	0	0	(13,397)
Revaluation losses	(11,174)	(301)	0	0	(11,475)	0	0	(11,475)
Impairment losses	(883)	0	0	0	(883)	0	0	(883)
Revaluation of investment property	0	0	0	0	0	23	0	23
Other transactions								
Assets reclassified	9,119	0	0	(6,462)	2,657	0	0	2,657
Net Carrying Amount at 31 March 2019	**873,228**	**16,631**	**301**	**6,724**	**896,884**	**238**	**172**	**897,294**
Gross carrying amount	873,227	16,955	451	6,725	897,358	238	611	898,207
Accumulated depreciation / amortisation	0	(325)	(150)	0	(475)	0	(439)	(914)
Net Carrying Amount at 31 March 2019	**873,227**	**16,630**	**301**	**6,725**	**896,883**	**238**	**172**	**897,293**

HRA Non-Current Assets								
2017/18	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total PPE	Investment Properties	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross carrying amount	813,123	15,882	408	22,855	852,268	215	439	852,922
Accumulated depreciation / amortisation	0	(445)	(400)	0	(845)	0	(439)	(1,284)
Net Carrying Amount at 1 April 2017	813,123	15,437	8	22,855	851,423	215	0	851,638
Capital additions								
Additions	28,570	182	4	7,301	36,057	0	0	36,057
Asset disposals								
Derecognition - disposals	(3,859)	(95)	0	0	(3,954)	0	0	(3,954)
Derecognition - disposals (depreciation)	0	7	0	0	7	0	0	7
Transactions in respect of the surplus on revaluation of non-current assets within the HRA Income and Expenditure Statement								
Revaluation increases	25,314	1,561	0	0	26,875	0	0	26,875
Revaluation losses	(7,646)	(614)	0	0	(8,260)	0	0	(8,260)
Transactions charged to the surplus / deficit on the provision of services within the HRA Income and Expenditure Statement								
Reversal of previous revaluation losses	11,947	0	0	0	11,947	0	0	11,947
Depreciation / amortisation charge	(12,105)	(251)	(7)	0	(12,363)	0	0	(12,363)
Revaluation losses	(15,508)	(93)	0	0	(15,601)	0	0	(15,601)
Revaluation of investment property	0	0	0	0	0	2	0	2
Other transactions								
Assets reclassified	20,848	0	0	(20,623)	225	0	0	225
Net Carrying Amount at 31 March 2018	860,684	16,134	5	9,533	886,356	217	0	886,573
Gross carrying amount	860,684	16,584	410	9,533	887,211	215	439	887,865
Accumulated depreciation / amortisation	0	(447)	(406)	0	(853)	0	(439)	(1,292)
Net Carrying Amount at 31 March 2018	860,684	16,137	4	9,533	886,358	215	0	886,573

Council Dwellings

The council was responsible for managing 11,551 council dwellings at 31 March 2019 (11,552 at 31 March 2018) made up as follows:

Council Dwellings						
	0 Bed	1 Bed	2 Bed	3 Bed	4+ Bed	Total
2018/19						
Bedsits	580	25	0	0	0	**605**
Bungalows	25	172	28	24	1	**250**
Flats	7	3,434	2,824	204	0	**6,469**
Houses	0	21	1,407	2,347	290	**4,065**
Maisonettes	0	0	97	59	6	**162**
Total	**612**	**3,652**	**4,356**	**2,634**	**297**	**11,551**
2017/18						
Bedsits	600	25	0	0	0	**625**
Bungalows	25	173	27	23	1	**249**
Flats	2	3,429	2,823	197	0	**6,451**
Houses	0	22	1,403	2,355	284	**4,064**
Maisonettes	0	0	98	59	6	**163**
Total	**627**	**3,649**	**4,351**	**2,634**	**291**	**11,552**

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

Movement in Council Dwellings		
	2017/18	2018/19
Stock at 1 April	**11,498**	**11,552**
Sales	(52)	(57)
Transferred to Brighton & Hove Seaside Community Homes Ltd	0	0
Conversions	106	56
Stock at 31 March	**11,552**	**11,551**

The council has removed £4.130m of council dwellings net book asset values from its Balance Sheet in respect of the movements detailed in the above table.

The vacant possession value in respect of council dwellings at 1 April 2019 was £2,646m as valued by the valuers, Savills UK Ltd, compared with the value of £873.000m for its existing use as social housing. The difference of £1,773m represents the cost of providing council housing at less than open market rents.

Housing Local Delivery Vehicle

Brighton & Hove Seaside Community Homes Ltd is a not for profit charitable company set up and funded by a third party independent to the council as a local delivery vehicle to raise investment for improvements to council dwellings. The company was incorporated in March 2009 and has leased 499 empty properties from the council. The properties were leased to the Housing Delivery Vehicle in batches over a period up to March 2017 under lease terms of up to 99 years. The properties are let to homeless households and people with particular needs nominated by the council.

9 Capital Investment and Capital Financing

The council made £79.837m of capital investments in 2018/19. The following table shows the total amount of capital investment analysed for each category of non-current asset together with the resources that have been used to finance the capital investment:

Capital Investment and Capital Financing		
	2017/18	2018/19
	£'000	£'000
Opening Capital Financing Requirement	**358,396**	**356,253**
Capital investment		
Property, plant and equipment	69,048	57,928
Heritage assets	169	53
Intangible assets	2,358	3,734
Investment property	0	7,302
Revenue expenditure funded from capital under statute	3,581	8,787
Long term debtors and Investments	220	2,033
Total Capital Investment	**75,376**	**79,837**
Sources of finance		
Capital receipts	(10,083)	(11,712)
Capital grants and contributions	(28,061)	(28,925)
Major repairs reserve (HRA)	(12,363)	(13,397)
Reserves	(583)	(96)
HRA balance	(950)	(894)
Revenue contributions	(14,926)	(12,725)
Total Capital Financing (excluding borrowing)	**(66,966)**	**(67,749)**
Repayment of loans (MRP)	(9,925)	(10,843)
Application of Capital Receipts	(628)	(274)
Closing Capital Financing Requirement	**356,253**	**357,224**
Explanation of movements in capital financing requirement		
Increase in underlying need to borrow (unsupported by government financial assistance)	8,410	11,243
Repayment of loans (MRP)	(9,925)	(10,843)
Increase in Long Term Debtor	0	845
Application of Capital Receipts	(628)	(274)
Increase / (Decrease) in Capital Financing Requirement	**(2,143)**	**971**

The council's capital financing requirement represents capital investment historically that is funded from borrowing which will be repaid in future financial years. In 2018/19, £11.243m of capital investment was financed through unsupported borrowing (i.e. not supported by the Government) and therefore impacted on the council's capital financing requirement. Where capital investment is funded by borrowing, a charge is made to revenue as non-current assets are used by the council.

Minimum Revenue Provision (MRP)

The council is required by statute to set aside a prudent sum for the repayment of debt (MRP). Guidance issued by the Government requires Full Council to approve an annual statement on the amount of debt that will be repaid in a financial year; the council's annual statement was approved on 22 February 2018. The following table shows the amount set aside from revenue:

Minimum Revenue Provision		
	2017/18	2018/19
	£'000	£'000
GF supported debt (debt where central government provide revenue support)	2,328	2,328
GF unsupported debt (debt where no central government support is received)	4,762	5,149
HRA unsupported debt	548	913
Charge equal to write down on PFI liabilities	2,287	2,454
Total Amount Set Aside from Revenue	**9,925**	**10,844**

HRA Capital Investment and Financing

The council had £30.257m of capital investment in respect of the HRA in 2018/19. The following table shows the resources that have been used to finance the capital investment:

HRA Capital Investment and Financing		
	2017/18	2018/19
	£'000	£'000
Capital investment	36,049	30,257
Total Capital Investment	**36,049**	**30,257**
Major repairs reserve	(12,363)	(13,397)
Revenue contributions	(13,939)	(12,328)
Reserves	(40)	(35)
HRA balance	(950)	(894)
Capital receipts	(4,518)	(3,263)
Capital grants and contributions	(1,531)	(339)
Unsupported borrowing	(2,708)	0
Total Funding	**(36,049)**	**(30,257)**

The following table shows a summary of the total capital receipts received in 2018/19 in respect of the HRA:

HRA Capital Receipts		
	2017/18	2018/19
	£'000	£'000
Right to buy sales of houses and flats	8,102	9,044
Sale of land and other property	69	82
Mortgages repayments	2	1
Discount repayments	70	0
Transferred properties to Brighton & Hove Seaside Community Homes Ltd	0	0
Total	**8,243**	**9,128**

10 Financial Assets and Liabilities – Financial Instruments

Categories of Financial Instruments

The Council has adopted new classifications for financial assets with effect from 1 April 2018, in accordance with the CIPFA Code of Practice, IFRS 9 – Financial Instruments. The table below shows how the closing balances for 2017/18 translate into the new classifications.

Investments at 1 April 2018	Carrying amount b/f at 1 April 2018	New classifications at 1 April 2018		
		Amortised Cost	Fair Value through profit and loss	Fair Value through Other Comprehensive Income
	£'000	£'000	£'000	£'000
Previous classifications				
Loans and Receivables	114,479	101,362	13,117	0
Available for Sale	20,083	0	20,083	0
Unquoted investment at cost	50	0	50	0
Fair value through profit and loss	0	0	0	0
Reclassified amount at 1 April 2018	**134,612**	**101,362**	**33,250**	**0**
Remeasurements at 1 April 2018	0	0	0	0
Remeasured carrying amounts at 1 April 2018	**134,612**	**101,362**	**33,250**	**0**

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

Financial Assets	Long Term		Short Term	
	1 April 2018	31 March 2019	1 April 2018	31 March 2019
	£'000	£'000	£'000	£'000
Fair value through profit or loss				
Investments	40	25	33,210	44,729
Amortised Cost				
Investments	5,020	6,213	96,342	101,967
Debtors	45,499	42,436	35,963	39,850
Total Financial Assets	**50,559**	**48,674**	**165,515**	**186,546**
Non Financial Assets	**0**	**0**	**24,371**	**8,723**
Total	**50,559**	**48,674**	**189,886**	**195,269**

Financial Liabilities	Long Term		Short Term	
	1 April 2018	31 March 2019	1 April 2018	31 March 2019
	£'000	£'000	£'000	£'000
Fair value through profit or loss				
Borrowings and Creditors	0	0	0	0
Amortised Cost				
Long Term Borrowing	(257,451)	(251,180)	0	0
Long Term Creditors	(47,005)	(44,376)	0	0
Short Term Borrowing	0	0	(13,791)	(20,758)
Short Term Creditors	0	0	(47,469)	(48,423)
Total Financial Liabilities	**(304,456)**	**(295,556)**	**(61,260)**	**(69,181)**
Non Financial Liabilities	**0**	**0**	**(33,546)**	**(36,043)**
Total	**(304,456)**	**(295,556)**	**(94,806)**	**(105,224)**

Financial Instruments Designated at Fair Value through Profit or Loss

The balance of financial assets at 31 March 2019 was £44.729m an increase of £11.519m from the opening balance at 1 April 2019. Financial assets include low volatility money market funds (LVNAV). Constant net asset value (CNAV) money market funds were reclassified as LVNAV under European Money Market reform.

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

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income

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

Reclassifications

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

Income, Expense, Gains and Losses

	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss - fair value	(1)	0	(1)	0
Financial assets measured at fair value through profit or loss - dividends	(379)	0	(339)	0
Total net(gains) / losses	**(380)**	**0**	**(340)**	**0**
Interest revenue				
Financial assets measued at amortised cost	(485)	0	(985)	0
Interest expense				
Financial liabilities measued at amortised cost	11,143	0	10,679	0

Fair Value

Basis for recurring fair value measurements:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority 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.
- Level 3 Inputs – unobservable inputs for the asset or liability.

Financial Assets	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2018	As at 31 March 2019
			£'000	£'000
Fair value through profit or loss				
Money Market Funds	Level 1	Unadjusted quoted prices in active identical markets	23,209	34,728
Ultra-short duration sterling fund (Aberdeen)	Level 1	Unadjusted quoted prices in active identical markets	10,001	10,001
Municipal Bonds Agency Shareholding	Level 3		40	25

Transfers between Levels of the Fair Value Hierarchy

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

Changes in the Valuation Technique

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

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

There were no instruments, measured at fair value, that were at level 3 in the hierarchy.

Fair Values of Financial Assets and Financial Liabilities that are not measured at fair value but for which fair value disclosures are required

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB prevailing market rates (have been applied to provide the fair value under PWLB debt redemption procedures.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- 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 the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Amortised Cost	(257,451)	(348,302)	(251,180)	(329,868)
Long Term Creditors	0	0	0	0
PFI & Finance Lease Liabilities	(47,005)	(65,348)	(44,376)	(62,388)
Total	**(304,456)**	**(413,650)**	**(295,556)**	**(392,256)**

The fair value of borrowings is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31 March 2019, arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Amortised Cost	5,020	4,916	6,213	6,177
Long Term Debtors	45,499	45,499	42,436	42,436
Total	**50,519**	**50,415**	**48,649**	**48,613**

The fair value of the financial assets is lower than the carrying amount because the portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31 March 2019, attributable to the commitment to receive interest below current market rates. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

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

Recurring fair value measurements using:	31 March 2019			
	Quoted prices in active markets for idential assets (Level 1)	Other significant inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial liabilities				
Amortised Cost	0	(329,868)	0	(329,868)
Long Term Creditors	0	0	0	0
PFI & Finance Lease Liabilities	0	0	(62,388)	(62,388)
Total	**0**	**(329,868)**	**(62,388)**	**(392,256)**
Financial assets				
Amortised Cost	0	6,177	0	6,177
Long Term Debtors	0	42,436	0	42,436
Total	**0**	**48,613**	**0**	**48,613**

Recurring fair value measurements using:	31 March 2018			
	Quoted prices in active markets for idential assets (Level 1)	Other significant inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial liabilities				
Amortised Cost	0	(348,302)	0	(348,302)
Long Term Creditors	0	0	0	0
PFI & Finance Lease Liabilities	0	0	(65,348)	(65,348)
Total	**0**	**(348,302)**	**(65,348)**	**(413,650)**
Financial assets				
Amortised Cost	0	4,916	0	4,916
Long Term Debtors	0	45,499	0	45,499
Total	**0**	**50,415**	**0**	**50,415**

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 inputs 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

- early repayment or impairment is recognised;
- estimated ranges of interest rates at 31 March 2019 for loans receivable, based on new lending rates for equivalent loans at that date;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

- no early repayment is recognised;
- estimated ranges of interest rates at 31 March 2019 for loans payable 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.

- **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.

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
- The council's overall borrowing;
- Its maximum and minimum exposures to the maturity structure of its debt;
- Its management of interest rate exposure:
- Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties.

These are required to be reported and approved at or before the council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by council in March 2018 and is available on the council website.

The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £436m. This is the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was expected to be £423m. This is the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 108% and 43% based on the council's net debt;
- The maximum and minimum exposures to the maturity structure of debt (see table below).

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 authority's customers. This risk is minimised through the Annual Investment Strategy, which is available on the authority'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 Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the council are detailed below:

The council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2018/19 was approved by Full Council in March 2018 and is available on the council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with 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 of £152m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments.

A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses (ECL)

The changes in loss allowance during the year are as follows:

Recurring fair value measurements using:	12 month ECL	Lifetime ECL	Lifetime ECL - Simplified Approach	Total
	£'000	£'000	£'000	£'000
Opening balance 1 April 2018	13	2,011	11,764	13,788
Change in credit loss	6	1,794	2,844	4,644
Closing balance at 31 March 2019	**19**	**3,805**	**14,608**	**18,432**

12 Month ECL includes some third party loans. Lifetime ECL includes some third party loans, treasury investments and non debtor system invoices. Lifetime ECL simplified includes debtors control, rents and penalty charge notices. The i360 observation tower is included under lifetime ECL.

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, excluding sums due from customers, is as follows:

	31 March 2018	31 March 2019
	£'000	£'000
Less than one year	191,027	208,302
Between one and two years	5,050	5,053
Total	**196,077**	**213,355**

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 longer term financial liabilities and longer 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 maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by council in the Treasury Management Strategy:

	Approved Minimum Limit	Approved Maximum Limit	31 March 2018	31 March 2019
	%	%	£'000	£'000
Less than one year	0%	40%	(56,376)	(79,213)
Between one and two years	0%	40%	(2,361)	(2,389)
Between two and five years	0%	50%	(16,755)	(39,013)
Between five and ten years	0%	75%	(92,398)	(77,427)
Between ten and fifteen years	40%	100%	(15,171)	(31,689)
More than fifteen years	40%	100%	(182,655)	(135,006)
Total			**(365,716)**	**(364,737)**

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; and
- 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 Other Comprehensive Income and Expenditure Statement.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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 will monitor 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 longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2019 £'000
Increase in interest payable on variable rate borrowings	53
Increase in interest receivable on variable rate investments	(444)
Impact on Comprehensive Income and Expenditure	**(391)**

Price risk

The council has a holding in a short dated Sterling fund at 31 March 2019.

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.

11 Debtors

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

Short Term Debtors		
	31 March 2018	31 March 2019
	£'000	£'000
Debtor System Control	19,997	21,685
Local Growth Funds Grant	8,877	5,968
Payments in Advance	8,047	5,459
HMRC	3,687	2,945
Other	19,726	12,516
Total Short Term Debtors	**60,334**	**48,573**

£39.849m (£35.963m 31 March 2018) of short term debtors are classed as financial instruments and are included in note 10; those 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:

Long Term Debtors		
	31 March 2018	31 March 2019
	£'000	£'000
Finance lease	6,212	5,897
i360 development	36,168	33,702
Other long term debtors	3,119	2,838
Total Long Term Debtors	**45,499**	**42,437**

All long term debtors are classed as financial instruments and are included in note 10.

The council provided financial support to the East Sussex Credit Union in April 2016 with a membership deposit of £28,000 and a subordinated loan of £250,000 for the purpose of providing safe, affordable, accessible financial products to some of the city's most financially excluded and at-risk residents. The loan is interest free and repayable in 2026.

The council provided a loan of £220,000 to Saltdean Lido Community Interest Company in December 2017 for the purpose of enabling a funding bid to restore the Saltdean Lido. The loan is interest free and repayable over 5 years dependant on a successful funding bid.

12 Creditors

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

Short Term Creditors	31 March 2018 £'000	31 March 2019 £'000
Receipts in Advance	(13,186)	(13,354)
Creditors Control Account	(9,554)	(6,946)
Council Tax & NNDR	(3,230)	(5,963)
HMRC	(4,590)	(4,632)
Pensions	(3,906)	(3,946)
Other	(42,874)	(49,625)
Total Short Term Creditors	**(77,340)**	**(84,466)**

£48.423m (£47.469m 31 March 2018) of short term creditors are classed as financial instruments and are included in note 10; those creditors not classified as financial instruments are statutory creditors, grant creditors and receipts in advance.

13 Provisions

The council sets aside amounts as provisions for liabilities of uncertain timing or amount. The following table shows the level of the council's provisions as at 31 March, split between short term and long term, together with the movement during the financial year:

Provisions		2018/19			
	Balance at 1 April 2018	Additional Provisions Made	Amounts Used	Unused Amounts Reversed	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Short Term Provisions					
Accumulated Absences	(3,675)	0	3,675	0	0
Other provisions	(351)	(272)	371	0	(252)
Total	**(4,026)**	**(272)**	**4,046**	**0**	**(252)**
Long Term Provisions					
Voluntary severance scheme provision	(422)	(1,433)	990	0	(865)
Business rates appeals provision	(4,417)	(3,387)	374	0	(7,430)
Other provisions	(226)	(3)	98	0	(131)
Total	**(5,065)**	**(4,823)**	**1,462**	**0**	**(8,426)**

Voluntary Severance 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 2019/20. 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.

Business Rates Appeals Provision

As at 31 March 2019, the council had a number of appeals outstanding against the 2010 and 2017 rating lists. If successful, these appeals will result in a reduction in rateable value and the need to refund ratepayers for reduced rates liability in previous financial years. This provision covers the council's share of the amount that the council anticipates having to repay to ratepayers in the future following successful appeals against the rating lists.

Accumulated Absences

From 31 March 2019, the accumulated absences balance is treated as a short term creditor.

Other Short Term Provisions

Included within other short term provisions is an amount of £0.152m (£0.162m at 31 March 2018) set aside by the council to meet its obligations to purchase and surrender Carbon Reduction Commitment (CRC) allowances in relation to carbon dioxide emissions under the CRC Energy Efficiency scheme. The council purchases the allowances from the Government and surrenders the allowances to the scheme in proportion to its reported emissions for the preceding scheme year and in accordance with the scheme requirements.

The council also has a short term intangible asset of £0.114m (£0.282m at 31 March 2018) in respect of unused purchased allowances.

14 Grants and Contributions

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

Government Revenue Grants

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

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

Government Revenue Grants		
	2017/18	2018/19
	£'000	£'000
Non ring fenced government grants credited to taxation and non specific grant income		
Department for Education	(910)	(66)
Ministry of Housing, Communities & Local Government	(40,715)	(35,917)
Department for Work and Pensions	(1,254)	(1,109)
Department of Health & Social Care	(203)	(202)
Total	**(43,082)**	**(37,294)**
Ring fenced government grants credited to cost of services		
Department for Education	(178,775)	(183,770)
Ministry of Housing, Communities & Local Government	(6,297)	(8,993)
Department for Work and Pensions	(146,399)	(128,354)
Department for Transport	(708)	(705)
Department of Health & Social Care	(20,619)	(20,140)
Other government departments	(2,532)	(2,327)
Total	**(355,330)**	**(344,289)**
Total Government Revenue Grants	**(398,412)**	**(381,583)**

Non Ring Fenced Grants

The significant non ring fenced grants received by the council from the Ministry of Housing, Communities & Local Government are:

- Revenue Support Grant of £14.144m which can be used by the council to finance revenue expenditure on any service;
- Improved Better Care Fund Grant of £6.672m which is pooled into the Brighton & Hove Better Care Fund partnership arrangement. See note 27 for further details
- New Homes Bonus Scheme Grant of £2.997m which is funding to incentivise housing growth and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use.
- Small Business Rate Relief (SBRR) Grant of £4.557m which compensates the council for the loss of business rate income from both the doubling of SBRR and threshold changes to SSBR;
- PFI Grant of £3.003m which is in respect of the council's PFI projects which have become operational.

Ring Fenced Grants

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

- Dedicated Schools Grant of £162.906m; further details are provided below;
- Pupil Premium Grant of £9.022m which targets additional money at pupils from the most deprived background to help them achieve their full potential;
- Funding for sixth forms of £3.524m which provides funds for the council's locally maintained sixth form colleges.

The significant ring fenced grant received by the council from the Ministry of Housing, Communities & Local Government is in respect of the Flexible Homelessness Support Grant which provides funds to the council to support its homelessness service. (£5.790m)

The significant ring fenced grants received by the council from the Department for Work & Pensions (DWP) are in respect of Housing Benefit to reimburse the council for rent allowances and rent rebates (£127.023m).

The significant ring fenced grant received by the council from the Department of Health & Social Care is in respect of the Public Health Grant (£20.089m) which provides funding for the council to discharge its public health responsibilities.

Non-Government Revenue Grants and Contributions

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

Non-Government Revenue Grants and Contributions		
	2017/18	2018/19
	£'000	£'000
Non-government grants and revenue contributions credited to cost of services		
Non-government grants	(1,127)	(1,110)
Contributions from health	(16,325)	(19,002)
Contributions from other agencies and external bodies	(1,722)	(1,750)
Contributions from other local authorities	(2,156)	(2,122)
Other contributions, donations and sponsorship	(2,247)	(2,133)
Contributions from developers and stakeholders	(506)	(789)
Total Non-Government Revenue Grants and Contributions	**(24,083)**	**(26,906)**

Revenue Grants and Contributions with Conditions Attached

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

Capital Grants and Contributions

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

Capital Grants and Contributions		
	2017/18	2018/19
	£'000	£'000
Capital grants and contributions credited to taxation and non-specific grant income		
Department for Education	(988)	(6,770)
Ministry of Housing, Communities & Local Government	(1,237)	0
Department for Transport	(9,170)	(7,127)
Department of Health & Social Care	(38)	(3)
Other government departments	(1,736)	(1,393)
Heritage Lottery Fund	(2,494)	(1,308)
Contributions from developers and stakeholders	(2,411)	(629)
Contributions from other local authorities	(10,369)	(1,819)
Other contributions	(2,073)	(472)
Total	**(30,516)**	**(19,521)**
Capital grants and contributions credited to cost of services		
Department for Education	(147)	(16)
Ministry of Housing, Communities & Local Government	(1,175)	0
Department of Health & Social Care	(700)	(1,941)
Department for Transport	0	0
Department for Digital, Culture, Media & Sport	0	0
Other government departments	(243)	(10)
Other contributions	(605)	(6,608)
Total	**(2,870)**	**(8,575)**
Total Capital Grants and Contributions	**(33,386)**	**(28,096)**

Capital Grants and Contributions with Conditions Attached

The council has received a number of capital grants and contributions that are yet to be recognised as income as they have conditions attached to them that will require the monies and / or property to be returned to the giver if the conditions are not met. The following table shows the balances at the 31 March of those grants held as Capital Grants Receipts in Advance on the Balance Sheet:

Capital Grants and Contributions with Conditions attached		
	2017/18	2018/19
	£'000	£'000
Grants and contributions held under capital grants receipts in advance		
Department for Education	(39,914)	(40,683)
Ministry of Housing, Communities & Local Government	(216)	(617)
Department of Health	0	(390)
Other government departments	(6)	0
Contributions from developers and stakeholders	(5,099)	(10,462)
Other contributions	(527)	(1,604)
Total Grants and Contributions with Conditions	**(45,762)**	**(53,756)**

Dedicated Schools Grant

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

Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget (ISB)	Total
2018/19	**£'000**	**£'000**	**£'000**
Final DSG for 2018/19 before academy recoupment	(24,545)	(150,423)	**(174,968)**
Less academy figure recouped for 2018/19	0	12,587	**12,587**
Other budget adjustments	(435)	(90)	**(525)**
Total DSG after academy recoupment for 2017/18	**(24,980)**	**(137,926)**	**(162,906)**
Brought forward from 2017/18	(201)	0	**(201)**
Agreed initial budgeted distribution in 2018/19	**(25,181)**	**(137,926)**	**(163,107)**
In year budget adjustments	187	(187)	**0**
Final budget distribution for 2018/19	**(24,994)**	**(138,113)**	**(163,107)**
Less actual central expenditure	24,511	0	**24,511**
Less actual ISB deployed to schools	0	138,113	**138,113**
Private, voluntary and independent providers to be funded by DSG in 2019/20	(321)	0	**(321)**
Carry forward to 2019/20	**(804)**	**0**	**(804)**

Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget (ISB)	Total
2017/18	£'000	£'000	£'000
Final DSG for 2017/18 before academy recoupment	(23,793)	(148,758)	(172,551)
Less academy figure recouped for 2017/18	0	11,988	11,988
Other budget adjustments	121	678	799
Total DSG after academy recoupment for 2017/18	**(23,672)**	**(136,092)**	**(159,764)**
Brought forward from 2016/17	(585)	0	(585)
Agreed initial budgeted distribution in 2017/18	**(24,257)**	**(136,092)**	**(160,349)**
In year budget adjustments	(6)	6	0
Final budget distribution for 2017/18	**(24,263)**	**(136,086)**	**(160,349)**
Less actual central expenditure	24,700	0	24,700
Less actual ISB deployed to schools	0	136,086	136,086
Private, voluntary and independent providers to be funded by DSG in 2018/19	(638)	0	(638)
Carry forward to 2018/19	**(201)**	**0**	**(201)**

15 Leases and Lease Type Arrangements

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

Council as Lessee – Finance Leases

The council has acquired a number of properties under finance leases which are used by the council for office accommodation and providing education, social care and library services. The terms of these leases range from 125 years to 150 years. The assets acquired under these leases are valued at £7.171m (£7.357m 2017/18) and are carried as PPE on the Balance Sheet categorised as other land and buildings The increase in valuation relates to the DRC valuations that were carried out in year.

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

Council as Lessee – Operating Leases

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

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

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

The council also leases in a number of equipment assets, under operating leases. The terms of the leases typically range from three to five years.

The following table shows the future minimum lease payments owed by the council under non-cancellable operating leases in future financial years:

Future Minimum Lease Payments under Operating Leases (Lessee)		
	31 March 2018	31 March 2019
	£'000	£'000
Not later than one year	13,886	12,190
Later than one year and not later than five years	18,161	9,587
Later than five years	897	702
Total Future Minimum Lease Payments	**32,944**	**22,480**

In addition to the amount in the above table for payments due within 12 months, the council is also liable to pay £5.855m, within 12 months, in respect of six care service contracts which include lease type arrangements. In each case, the delivery of the contracts requires the use of specific properties. The nature of the service delivery makes it impracticable to separate the lease payments from other payments and therefore the disclosed amount includes payments for non-lease elements.

The expenditure incurred by the council in 2018/19 and charged to the relevant cost of service in the CIES in relation to operating leases was £15.048m (£16.043m 2017/18).

Council as Lessor - Finance Leases

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

There have been no new long term finance leases entered into during 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 whilst the debtor remains outstanding. The gross investment in these leases as at the Balance Sheet date is made up of the following amounts:

Gross Investment in Finance Leases (Lessor)		
	31 March 2018	31 March 2019
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):		
• Current	6	7
• Non current	6,206	5,890
Unearned finance income	38,688	38,247
Total Gross Investment in the Leases	**44,900**	**44,144**

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

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

Gross Investment in Finance Leases and Minimum Lease Payments under Finance Leases (Lessor)				
	Gross Investment in the Lease		Present Value of Minimum Lease Payments	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
Not later than one year	461	461	6	7
Later than one year and not later than five years	2,305	1,993	39	41
Later than five years	42,134	41,689	6,167	5,849
Total	**44,900**	**44,144**	**6,212**	**5,897**

Note: the minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19, £37.728m contingent rents were receivable by the council (£38.516m 2017/18).

Council as Lessor – Operating Leases

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

The following table shows the future minimum lease payments owed to the council under non-cancellable operating leases in future financial years are:

Future Minimum Lease Payments under Operating Leases (Lessor)		
	31 March 2018	31 March 2019
	£'000	£'000
Not later than one year	8,187	8,391
Later than one year and not later than five years	23,184	22,866
Later than five years	104,695	102,597
Total Future Minimum Lease Payments	**136,066**	**133,854**

Note: The minimum lease payments owed to the council do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments in future rental payments. In 2018/19, £12.041m contingent rents were receivable by the council (£11.886m 2017/18.)

16 Private Finance Initiative (PFI) and Similar Contracts

The council has three PFI arrangements:

- The council entered into a 25 year contract with Brighton & Hove City Schools Services Limited for the expansion and refurbishment of four secondary schools. The contract commenced in April 2003. In 2005, the contract was varied to reduce the number of schools to three. In March 2010, the council negotiated the removal of "soft services" (i.e. caretaking, cleaning, catering, grounds maintenance) and utilities from the schools PFI contract;
- In conjunction with East Sussex County Council, the council jointly entered into a 25 year agreement for the provision of an integrated waste management service with South Downs Waste Services Ltd (now trading as Veolia ES South Downs Limited). The agreement commenced in April 2003 and has subsequently been extended by a further five years to 2033;

- The council entered into a 25 year contract with NU Library for Brighton Limited for the provision of a new library and library service which commenced in November 2004.

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

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

On expiry of the contracts the assets created under the PFI arrangements automatically revert to the council at nil consideration. Termination of the contracts prior to the expiry is permitted by either party but only in exceptional circumstances and only after a period of negotiation. There have been no material changes to any of the PFI contracts in 2018/19.

Assets Held under PFI Arrangements

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

The assets held under PFI arrangements are carried as PPE on the Balance Sheet with £76.734m (£78.808m 31 March 2018) classified as other land and buildings and £0.098m (£0.313m 31 March 2018) classified as vehicles, plant and equipment.

Assets held under PFI Arrangements				
	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
2018/19	£'000	£'000	£'000	£'000
Balance as at 1 April 2018				
Gross carrying amount	39,933	27,005	13,817	80,755
Accumulated depreciation	(18)	(1,826)	0	(1,845)
Net Carrying Amount at 1 April 2018	**39,915**	**25,178**	**13,817**	**78,910**
Capital additions				
Additions	368	0	0	368
Transactions in respect of the surplus on revaluation of non-current assets within the CIES recognised in the revaluation reserve				
Revaluation increases	88	0	64	152
Revaluation losses	0	0	(171)	(171)
Impairment losses	0	0	0	0
Transactions charged to the surplus / deficit on the provision of services in the CIES				
Depreciation charge	(1,425)	(963)	(532)	(2,920)
Revaluation losses	(103)	(273)	0	(376)
Reversal of previous revaluation losses	857	0	12	868
Net Carrying Amount at 31 March 2019	**39,700**	**23,942**	**13,190**	**76,832**
Gross carrying amount	40,354	26,092	13,190	79,636
Accumulated depreciation	(654)	(2,150)	0	(2,803)
Net Carrying Amount at 31 March 2019	**39,700**	**23,942**	**13,190**	**76,832**

Note: The 2018/19 opening balance relating to the Schools PFI Contract in the table above has been restated from the value disclosed in the 2017/18 Statement of Accounts following an error correction of £0.210m This does not affect any other part of the Statement of Accounts.

Assets held under PFI Arrangements				
	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
2017/18	£'000	£'000	£'000	£'000
Balance as at 1 April 2017				
Gross carrying amount	39,211	28,519	12,967	80,697
Accumulated depreciation	(9)	(1,613)	0	(1,622)
Net Carrying Amount at 1 April 2017	39,202	26,906	12,967	79,075
Capital additions				
Additions	209	0	0	209
Transactions in respect of the surplus on revaluation of non-current assets within the CIES recognised in the revaluation reserve				
Revaluation increases	1,062	227	1,245	2,534
Revaluation losses	0	(1,936)	0	(1,936)
Impairment losses	69	0	0	69
Transactions charged to the surplus / deficit on the provision of services in the CIES				
Depreciation charge	(1,299)	(922)	(395)	(2,616)
Revaluation losses	(55)	0	0	(55)
Reversal of previous revaluation losses	937	904	0	1,841
Net Carrying Amount at 31 March 2018	40,125	25,179	13,817	79,121
Gross carrying amount	40,143	27,005	13,817	80,965
Accumulated depreciation	(18)	(1,826)	0	(1,844)
Net Carrying Amount at 31 March 2018	40,125	25,179	13,817	79,121

Liabilities Resulting from PFI Arrangements

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

Liabilities Resulting from PFI Arrangements				
	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
2018/19	£'000	£'000	£'000	£'000
At 1 April 2018	10,429	33,551	5,478	49,458
Lease repayment	(628)	(1,542)	(284)	(2,454)
At 31 March 2019	9,801	32,009	5,194	47,004

Liabilities Resulting from PFI Arrangements				
	Schools PFI Contract	Waste PFI Contract	Library PFI Contract	Total
2017/18	£'000	£'000	£'000	£'000
At 1 April 2017	11,004	35,002	5,739	51,745
Lease repayment	(575)	(1,451)	(261)	(2,287)
At 31 March 2018	10,429	33,551	5,478	49,458

The above table includes long term liabilities of £47.004m (£49.458m 2017/18) and short term liabilities of £2.454m (£2.287m 2017/18) at 31 March 2019; the long term liability is included in other long term liabilities on the Balance Sheet and the short term liability included in short term creditors.

Payments Due under PFI Arrangements

The council makes an agreed payment each year in respect of PFI arrangements; the contractual payments for the schools and waste PFI arrangements are based on a projected annual inflation rate of 2.5%. The contractual payments for the library PFI arrangement are based upon a mix of projected inflation rates: retail prices at 2.5%, building maintenance at 4.0% and average earnings at 4.5%.

Schools are responsible for the procurement and payment of “soft services” (ie caretaking, cleaning, catering, grounds maintenance) and these costs are therefore not part of the schools PFI arrangement.

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

Payments Due under PFI Arrangements				
	Repayment of Liability	Interest Costs	Payment for Services	Total
2018/19	£'000	£'000	£'000	£'000
Schools PFI Contract				
Within 1 year	681	1,021	1,259	2,961
Within 2 to 5 years	3,616	3,298	5,361	12,275
Within 6 to 10 years	5,504	1,532	5,986	13,022
Total Payments Due - Schools PFI	**9,801**	**5,851**	**12,606**	**28,258**
Waste PFI Contract				
Within 1 year	1,640	1,793	9,984	13,417
Within 2 to 5 years	5,337	6,456	45,126	56,919
Within 6 to 10 years	12,234	5,613	61,456	79,303
Within 11 to 15 years	12,798	1,818	56,373	70,989
Total Payments Due - Waste PFI	**32,009**	**15,680**	**172,939**	**220,628**
Library PFI Contract				
Within 1 year	308	437	1,753	2,498
Within 2 to 5 years	1,516	1,466	7,590	10,572
Within 6 to 10 years	2,712	994	10,961	14,666
Within 11 to 15 years	659	55	2,435	3,149
Total Payments Due - Library PFI	**5,194**	**2,952**	**22,738**	**30,885**
Total PFI Contracts				
Within 1 year	2,629	3,251	12,996	18,876
Within 2 to 5 years	10,469	11,220	58,077	79,766
Within 6 to 10 years	20,450	8,139	78,403	106,991
Within 11 to 15 years	13,457	1,873	58,808	74,138
Total Payments Due	**47,004**	**24,483**	**208,283**	**279,771**

Payments Due under PFI Arrangements				
	Repayment of Liability	Interest Costs	Payment for Services	Total
2017/18	£'000	£'000	£'000	£'000
Schools PFI Contract				
Within 1 year	628	1,085	1,208	**2,921**
Within 2 to 5 years	3,252	3,632	5,217	**12,101**
Within 6 to 10 years	6,549	2,219	7,388	**16,156**
Total Payments Due - Schools PFI	**10,429**	**6,936**	**13,813**	**31,178**
Waste PFI Contract				
Within 1 year	1,542	1,874	9,899	**13,315**
Within 2 to 5 years	4,948	6,766	43,855	**55,569**
Within 6 to 10 years	11,512	6,239	59,455	**77,206**
Within 11 to 15 years	15,550	2,674	69,150	**87,374**
Total Payments Due - Waste PFI	**33,552**	**17,553**	**182,359**	**233,464**
Library PFI Contract				
Within 1 year	284	461	1,823	**2,568**
Within 2 to 5 years	1,397	1,584	7,812	**10,793**
Within 6 to 10 years	2,529	1,206	11,043	**14,778**
Within 11 to 15 years	1,268	162	4,926	**6,356**
Total Payments Due - Library PFI	**5,478**	**3,413**	**25,604**	**34,495**
Total PFI Contracts				
Within 1 year	2,454	3,420	12,930	**18,804**
Within 2 to 5 years	9,597	11,982	56,884	**78,463**
Within 6 to 10 years	20,590	9,664	77,886	**108,140**
Within 11 to 15 years	16,818	2,836	74,076	**93,730**
Total Payments Due	**49,459**	**27,902**	**221,776**	**299,137**

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

17 Contingent Liabilities and Contingent Assets

Contingent Liabilities

Insurance: 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 number of factors including, but not limited to, the ability to successfully defend claims, the proportion of outstanding claims that become litigated, the level of legal fees and the judge presiding over trials.

Hove Station Footbridge: The footbridge at Hove Station is a Grade 2 listed structure that provides pedestrian access over the railway between Hove Park Villas and Goldstone Villas. The footbridge is now over 120 years old and, based on engineering experience and judgement, is therefore nearing the end of its economically maintainable life. An agreement dated 28 September 1889 outlines the responsibilities of both parties; in summary these are that the Bridge remains in the ownership of the railway company (now Network Rail) but that the cost of maintenance is recharged to the council (now Brighton & Hove City Council).

The agreements give no information on what financial arrangements would prevail in the event that the footbridge needed to be replaced or changed to improve access. The council therefore has a potential but unquantifiable financial liability dependent on when the footbridge may need remedial works and/or full replacement and on the determination of any responsibilities set out in the historic legal agreements.

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

Pensions: When the LGPS was reformed in 2014, transitional protections were applied to certain older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an ‘underpin’ which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling were expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was rejected in June 2018.

The Council subsequently commissioned a revised actuarial report and the Statement of Accounts were updated to include the impact of this judgement on service cost and defined benefit obligations. The issue therefore ceased to be considered a contingent liability.

Royal Pavilion Estate: Under normal circumstances the council does not self-insure any element of a material damage loss to the Royal Pavilion Estate. Due to outstanding risk improvement actions (RIAs), the property insurer has imposed a temporary insurance excess of £1.000m in respect of the Royal Pavilion and one of £0.500m in respect of the Dome. They have also applied a limit to their exposure for any fire peril related claim at the Pavilion to 80% of the claim value. Effectively, this means that the council need to pay the first £1.000m and £0.500m of any property damage claims at the Pavilion and Dome respectively and that any payment made by the insurer above the £1.000m excess with regard to any fire related claim at the Pavilion would be limited to 80% of any repair costs. These temporary measures will be removed once all compulsory RIAs have been completed to the insurer's satisfaction.

Teaching staff: Following a review of Term Time Only staff annual leave entitlement, the National Joint Council for Local Government issued new Part 4 guidance to the National Agreement ('Green Book') which affiliated local authorities will need to consider. Subject to a local review of the calculation for entitlement in accordance with the new guidance, this is likely to increase the annual leave entitlement for Term Time Only staff. If this is agreed, there will be an increased annual payroll cost together with a potential back pay liability for affected staff. At present there is insufficient information to determine the overall liability, including the period of any back pay settlement.

Contingent Assets

Royal Mail: The council forms part of a class action against Royal Mail, relating to the charging of VAT on services for which it has not been able to recover as normal. The case has been ongoing for over 3 years and continues. The outcome and any potential financial settlement are uncertain. The council has no liability in relation to any potential costs if the claim is lost as it has entered into an insurance arrangement with a large number of other claimants.

Vehicles: The council is part of a class action, led by the Local Government Association, against a number of vehicle manufacturers which it is alleged have participated in price fixing across Europe. The council has bought many of its vehicles outright over many years. It is not yet possible to assess the likelihood of success or quantify any potential financial recompense. The council has no liability in relation to any potential costs if the claim is lost as it has entered into an insurance arrangement negotiated by the LGA and involving a large number of other claimants.

18 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 2018/19 can be found in note 14. Details of the amounts owed to / from central government are included in notes 11 and 12 respectively.

Levying Authorities

Other public bodies may levy the council by making a demand on the council tax requirement. For 2018/19, the council paid levies of £244,498 (£248,693 2017/18) to the Environment Agency, the Sussex Inshore Fisheries & Conservation Authority and various enclosure committees. These costs are included in other operating expenditure within the CIES and also include a precept of £45.067 (£44,579 2017/18) for Rottingdean Parish Council.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in note 20. During 2018/19, works and services to the value of £13.067m (£12.880m 2017/18) were commissioned from companies in which members have declared an interest. Contracts were entered into in full compliance with the council's standing orders.

Members are not involved in the evaluation of tenders. Details of the entities with whom members are involved are recorded in the Register of Members' Interests which can be found on the council's website under each member.

Officers

During 2018/19, the council provided Chief Finance Officer (S151), financial and other services to the South Downs National Park Authority (SDNPA) on a contractual basis. During 2018/19, the council received £0.318m (£0.298m 2017/18) in respect of these services. The council also had short term borrowing with the SDNPA of £3.641m as at 31 March 2019 (£2.952m 31 March 2018) in accordance with the service contract and the SDNPA Annual Investment Strategy. The officers involved in providing S151 and other financial services to SDNPA were not in a position to influence these financial transactions as they were paid in accordance with the agreed contract terms and were not party to the procurement process for these services.

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

The council has entered into various Section 75 arrangements with NHS partners for the provision of personal social services and community health care for adults. Transactions in respect of these Section 75 arrangements are detailed in note 27.

Entities Controlled or Significantly Influenced by the Council

The Sussex Innovation Centre acts as a business incubator and innovation support unit for Sussex and the South East. The council was a minority shareholder in this company but had no control or influence over the centre. The council surrendered to the company its shareholding in 2008/09. The share surrender was conditional upon Sussex University and the company undertaking that the premises and land would not be sold or transferred to a third party, nor a change be made 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 (SEEDA), for any repayment of grant in the event of a breach of the obligations as set out in the grant determination and terms of the surrender agreement.

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

The council nominates two members to sit on the board of trustees of Brighton Dome & Festival Ltd. The trustees are also company members and their liability is limited to £1.

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

Brighton & Hove Seaside Community Homes Ltd is a not for profit charitable company set up and funded by a third party independent to the council as a local delivery vehicle to raise investment for improvements to council dwellings. The company was incorporated in March 2009 and has leased 499 empty properties from the council taking them on over a five year period covering November 2011to 31 March 2017. 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 Board membership comprises twelve directors of which the council may nominate up to four members to serve as directors.

The Brighton Open Market Company was formed in March 2011 for the redevelopment of the Open Market site. The council has a limited representation of no more than 19% of the member voting rights or Board Directors to avoid controlled company issues and the members have a limited liability of £1 each. The company is a not for profit company and was converted into a Community Interest Company (CIC) in June 2011. On 4 November 2015, a special Policy & Resources Committee meeting agreed a request from the CIC for a loan of £61,000 to address cash flow difficulties until the CIC moves into profit.

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

The council provided financial support to the East Sussex Credit Union in April 2016 with a membership deposit of £28,000 and a subordinated loan of £250,000 for the purpose of providing safe, affordable, accessible financial products to some of the city’s most financially excluded and at-risk residents. The loan is interest free and repayable in 2026 .

Better Brighton & Hove is a charitable trust (status pending) initiated by a local charity, The Pebble Trust, to create an independent think tank to generate ideas and propose solutions to meet the challenges facing the city of Brighton and Hove. The Trust has a Board of 10 Trustees, one of which is the council as a corporate Trustee. The council has committed to provide the Trust with £250,000 of in kind services. The Council will be able to control and/or influence the work of the trust with at least 40% of the funding going exclusively to identified Council priorities and having a say on how the rest is used.

The Homes for the City of Brighton & Hove 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, neither partner of the LLP has a casting vote, any disputes require specific resolution as set out in the signed agreement.The aim of the company is to deliver 1,000 lower cost homes for rental and sale over a 5 year period. The company's strategic financial model requires the council to make available financing of circa £60m to build the new homes after allowing for the proceeds from the sale of new homes. In addition to providing affordable housing in the city, the company will provide a regular income stream from the new rental units. The council will receive distributions of 50% of the net surpluses of the company. The council will also provide Corporate & Financial Services to the company.

Further, the Homes for The City of Brighton & Hove Design & Build Company Limited was also formed in November 2017. The company is wholly owned by Homes for the City of Brighton & Hove LLP through its 100% shareholding. The council has nominated 3 of its members to serve as Directors of the company and decisions are taken by the unanimous decisions of the company's six Directors. The main purpose of the company is to construct the homes on behalf of the Homes for the City of Brighton & Hove LLP. The costs of construction will be charged to the LLP as they are incurred.

Orbis is a partnership between Brighton & Hove City Council, Surrey County Council and East Sussex County Council that aims to provide shared and resilient business services to the public sector, creating a compelling alternative to other providers. During 2018/19 the council entered into a revised Inter-Authority Agreement with the two partner authorities which commenced on 1 April 2018 which determines the 'contribution ratios', and financial management and planning arrangements.Orbis takes the form of a Joint Committee and the council has two members on the committee as do the other two founding partners.

Orbis Public Law is a partnership between Brighton & Hove City Council, Surrey County Council, West Sussex County Council and East Sussex County Council that aims to provide shared and resilient services to the public sector. The council has entered into an Inter-Authority Agreement with a view to developing joint operating budgets for all 4 authorities from 2019/20. Orbis Public Law is governed by a Joint Committee, with each Partner represented by one elected Member on the Joint Committee.

The council provided a loan of £220,000 to Saltdean Lido Community Interest Company in December 2017 for the purpose of enabling a funding bid to restore the Saltdean Lido. The loan is interest free and repayable over 5 years dependant on a successful funding bid.

19 Officers' Remuneration

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

Senior Employee Remuneration								
	2017/18				2018/19			
	Salary (including Fees & Allowances)	Compensation for loss of office	Pension Contributions	Total Remuneration including Pension Contributions	Salary (including Fees & Allowances)	Compensation for Loss of Office	Pension Contributions	Total Remuneration including Pension Contributions
	£		£	£	£	£	£	£
Chief Executive - G Raw	160,917	0	27,452	**188,369**	156,075	0	26,689	**182,764**
Executive Director Finance & Resources (section 151 officer)	117,562	0	20,060	**137,622**	119,658	0	20,462	**140,120**
Executive Director Families, Children & Learning	117,562	0	20,060	**137,622**	119,658	0	20,462	**140,120**
Executive Lead for Strategy Governance & Law	101,995	0	16,903	**118,898**	100,823	0	17,241	**118,064**
Executive Director Economy Environment & Culture	107,361	0	18,316	**125,677**	114,455	0	19,572	**134,027**
Executive Director Health & Adult Social Care	117,562	0	19,422	**136,984**	119,658	0	20,361	**140,019**
Executive Director Neighbourhoods Communities & Housing	105,836	0	18,098	**123,934**	110,987	0	18,979	**129,966**
Total	**828,795**	**0**	**140,311**	**969,106**	**841,314**	**0**	**143,765**	**985,079**

Note: no expense allowances were paid in 2018/19 or 2017/18.

Other Employee Remuneration

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

Other Officer Remuneration		
	2017/18	2018/19
Remuneration Band	Number of Employees	Number of Employees
£50,000 - £54,999	93	127
£55,000 - £59,999	59	63
£60,000 - £64,999	33	36
£65,000 - £69,999	22	19
£70,000 - £74,999	13	11
£75,000 - £79,999	11	7
£80,000 - £84,999	5	11
£85,000 - £89,999	7	5
£90,000 - £94,999	1	5
£95,000 - £99,999	2	2
£100,000 - £104,999	1	1
£105,000 - £109,999	0	1
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	1	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	1	1

20 Members' Allowances and Expenses

During 2018/19, the council paid £0.857m (£0.844m 2017/18) of allowances to members; £0.001m of expenses for travel / subsistence on approved duties outside the Brighton and Hove City area were claimed by members during 2018/19 (£0.002m 2017/18). Expenses for duties within the city are covered by the allowance paid to members. Details of allowances and expenses paid in 2018/19 are published in a local newspaper and posted on the notice boards outside the town halls in Brighton and Hove and on the council's website, www.brighton-hove.gov.uk.

21 Termination Benefits including Exit Packages

The council terminated the contracts of a number of employees during 2018/19, incurring liabilities of £1.917m (£1.606m 2017/18). The figures in the table below include £1.775m in respect of exit packages and £0.142m in respect of other exit packages and associated costs.

The council had an additional provision of £0.865m as at 31 March 2019 in respect of committed payments to 31 employees for agreed voluntary redundancy packages. Further details of the voluntary severance provision are included in note 13.

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

Exit Packages								
	Compulsory Redundancies		Number of Other Departures		Total Number of Exit Packages		Total Cost of Exit Packages	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Cost Band							£'000	£'000
£0 - £20,000	0	0	75	87	75	87	447	625
£20,001 - £40,000	0	0	16	13	16	13	439	370
£40,001 - £60,000	0	0	2	7	2	7	89	339
£60,001 - £80,000	0	0	2	1	2	1	157	76
£80,001 - £100,000	0	0	1	2	1	2	85	180
£100,000 - £300,000	0	0	2	2	2	2	389	327
Total	**0**	**0**	**98**	**112**	**98**	**112**	**1,606**	**1,917**

Note: the costs included in the above table include voluntary redundancy costs, early retirement pension costs and pay in lieu of notice.

22 Pension Schemes accounted for as Defined Contribution Schemes

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

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

In 2018/19, the authority paid £10.295m (£10.340m 2017/18) to the Teachers’ Pensions Scheme in respect of teachers’ retirement benefits, representing 16.48% (16.48% 2017/18) of pensionable pay. There were no contributions remaining payable at the end of the reporting period. The contributions payable in the next reporting period are estimated at £10.360m.

In 2018/19, the authority paid £0.055m (£0.116m 2017/18) to the NHS Business Service Authority in respect of public health employee’s retirement benefits, representing 14.3% (14.3% 2017/18) of pensionable pay. There were no contributions remaining payable at the end of the reporting period. The contributions payable in the next reporting period are estimated at £0.038m

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

23 Defined Benefit Pension Schemes

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

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

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

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

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

In addition, the council has arrangements for the award of discretionary post-retirement benefits upon early retirement. This arrangement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and the council has to generate cash, for example through associated savings on staffing costs, to meet actual pension payments as they eventually fall due.

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

Basis for Estimating Assets and Liabilities

The scheme has been estimated by the actuary based on the latest full valuation of the scheme as at 31 March 2016. 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 experience many years into the future and there is inevitably a great deal of uncertainty inherent in what constitutes the "best estimate" with such projections as required by IAS 19 *"Employee Benefits"*. The actuary has interpreted "best estimate" to mean that the proposed assumptions are “neutral” and has advised that there is an equal chance of actual experience being better or worse than the assumptions used.

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

Basis for Estimating Assets and Liabilities		
	31 March 2018	31 March 2019
Long term expected rate of return on assets in the scheme		
Equity investments	2.70%	2.40%
Bonds	2.70%	2.40%
Property	2.70%	2.40%
Cash	2.70%	2.40%
Mortality assumptions		
Longevity at 65 for current pensioners:		
• men	22.1 years	22.1 years
• women	24.4 years	24.4 years
Longevity at 65 for future pensioners:		
• men	23.8 years	23.8 years
• women	26.3 years	26.3 years
Financial assumptions		
Rate of inflation	2.40%	2.50%
Rate of increase in salaries	2.80%	2.90%
Rate of increase in pensions	2.40%	2.50%
Rate for discounting scheme liabilities	2.70%	2.40%
Expected total return on assets	2.70%	2.40%
Take up of option to convert annual pension in retirement grant	*	*

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

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

Sensitivity to Assumptions

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

- the cost of a pension arrangement requires estimates regarding future experience. The financial assumptions used by the actuary are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment) can have a significant effect on the value of the liabilities reported. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2019 on varying bases;

- a reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude;
- there is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment. To quantify the uncertainty around life expectancy, the actuary has calculated the difference in cost to the council of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3 to 5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

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

Change in assumptions at 31 March 2019	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	11%	154,486
0.5% increase in the Salary Increase Rate	1%	19,056
0.5% Increase in the Pension Increase Rate	9%	133,091

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

Transactions relating to Post-Employment Benefits

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

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

	2017/18 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services		
Service Cost Comprising:		
Current service cost	47,295	49,583
Past service cost	716	4,067
(Gain) / loss from settlements	0	0
Financing and Investment Income and Expenditure		
Net interest expense	6,890	7,262
Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services	**54,901**	**60,912**
Other Post Employment Benefits charged to the CIES		
Remeasurement of the Net Defined Benefit Liability comprising:		
Return on scheme assets (excluding the amount included in the net interest expense)	1,602	(47,896)
Changes in demographic assumptions	0	0
Changes in financial assumptions	(24,746)	111,471
Other experience adjustments	(2,113)	1,757
Adjustment re remeasurements of the pension scheme	309	(51)
Total Post Employment Benefits charged to the CIES	**(24,948)**	**65,281**
Actual amount charged against the General Fund and HRA balance for pensions in the reporting period		
Employer's contributions payable to the scheme	(27,631)	(29,589)
Movement in Reserves Statement		
Reversal of net charges made to the surplus / deficit for the provision of services for post employment benefits	(54,901)	(60,912)
Net Adjustment to the Pension Reserve	**(107,480)**	**(25,220)**

Note: The re-measurements of the scheme in 2018/19 were £65.332m; this is different to the re-measurements recorded in the financial statements of £65.281m due to timing differences upon production of the actuarial report.

Assets and Liabilities in relation to Post-Employment Benefits

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

Pension Assets and Liabilities recognised in the Balance Sheet	2017/18 £'000	2018/19 £'000
Present value of the scheme liabilities	(1,288,793)	(1,467,000)
Fair value of scheme assets	1,031,574	1,113,177
Net Liability arising from Defined Benefit Obligation	**(257,219)**	**(353,823)**

Pension Scheme Liabilities

The present value of liabilities shows the underlying commitments that the council has in the long run to pay post-employment benefits. The total liability of £1,467.000m can be split between funded and unfunded equating to £1,433.000m and £34.000m respectively. The council is only required to fund the defined benefits when the pensions are actually paid.

The actuary will assess the need to increase contributions over the remaining working life of employees (i.e. before payments fall due) to make good the deficit on the Fund.

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

Reconciliation of Present Value of the Pension Scheme Liabilities (Defined Benefit Obligation)		
	2017/18	2018/19
	£'000	£'000
Opening Balance at 1 April	**(1,257,346)**	**(1,288,793)**
Current service cost	(47,295)	(49,583)
Interest cost	(32,995)	(35,173)
Contributions from scheme participants	(7,999)	(8,335)
Remeasurements:		
Changes in financial assumptions	24,746	(111,471)
Other experience adjustments	2,113	(1,757)
(Losses) / gains on curtailment		
Benefits paid	30,699	32,179
Past service cost	(716)	(4,067)
Balance at 31 March	**(1,288,793)**	**(1,467,000)**

The movement in the scheme liabilities is partly as a result of the change in financial assumptions made by the actuary at 31 March 2019 being less favourable than those made at 31 March 2018. The application of assumptions has resulted in a loss of £111.471m relating to financial assumptions and a loss of £1.757m in relation to other experience adjustments.

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

Scheme Liabilities in respect of Active, Deferred and Pensioner Members			
	Liability Split	Liability Split	Weighted Average Duration
2018/19	£'000	%	£'000
Active members	708,731	49.5%	23.0
Deferred members	315,065	22.0%	22.9
Pensioner members	409,204	28.6%	11.6
Total	**1,433,000**	**100%**	**18.1**

Scheme Liabilities in respect of Active, Deferred and Pensioner Members			
	Liability Split	Liability Split	Weighted Average Duration
2017/18	£'000	%	Years
Active members	572,870	45.6%	23.0
Deferred members	280,722	22.4%	22.9
Pensioner members	401,849	32.0%	11.6
Total	**1,255,441**	**100.0%**	**18.1**

Note: the figures in the above two tables are for the funded obligations only and do not include any unfunded pensioner liabilities. The weighted average durations are as at the previous formal valuation as at 31 March 2016.

Pension Scheme Assets

During 2018/19, there has been an increase in the return on the scheme assets of £81.603m. The following table shows a reconciliation of the movements in the fair value of the scheme assets:

Reconciliation of the Movements in the Fair Value of the Pension Scheme Assets		
	2017/18 £'000	2018/19 £'000
Opening Balance at 1 April	**1,002,449**	**1,031,574**
Interest income	26,105	27,911
Remeasurements:		
Return on scheme assets (excluding the amount included in the net interest expense)	(1,602)	47,896
Contributions from employer	27,322	29,640
Contributions from employees into the scheme	7,999	8,335
Benefits paid	(30,699)	(32,179)
Balance at 31 March	**1,031,574**	**1,113,177**

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

Proportion of the Fair Value of the Scheme Assets by Category								
	2017/18				2018/19			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	% of Total Assets	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	% of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities								
Consumer	19,220.6	0.0	19,220.6	2%	13,245.1	0.0	13,245.1	1%
Manufacturing	10,170.8	0.0	10,170.8	1%	9,107.7	0.0	9,107.7	1%
Energy and utilities	1,733.5	0.0	1,733.5	0%	2,628.4	0.0	2,628.4	0%
Financial institutions	31,200.2	0.0	31,200.2	3%	12,409.6	0.0	12,409.6	1%
Health and care	17,665.7	0.0	17,665.7	2%	2,019.3	0.0	2,019.3	0%
Information technology	14,700.5	0.0	14,700.5	1%	0.0	0.0	0.0	0%
Other	2,057.2	3,495.9	5,553.1	1%	2,171.0	0.0	2,171.0	0%
Total	**96,748.5**	**3,495.9**	**100,244.4**	**10%**	**41,581.1**	**0.0**	**41,581.1**	**4%**
Debt Securites								
Corporate bonds (investment grade)	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Corporate bonds (non-investment grade)	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
UK government	0.0	28,584.3	28,584.3	3%	0.0	26,943.4	26,943.4	2%
Other	1,839.8	0.0	1,839.8	0%	0.0	20,610.7	20,610.7	2%
Total	**1,839.8**	**28,584.3**	**30,424.1**	**3%**	**0.0**	**47,554.1**	**47,554.1**	**4%**
Real Estate								
UK property	0.0	98,916.8	98,916.8	9%	0.0	104,264.4	104,264.4	9%
Overseas property	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Total	**0.0**	**98,916.8**	**98,916.8**	**9%**	**0.0**	**104,264.4**	**104,264.4**	**9%**
Investment Funds and Unit Trusts								
Hedge funds	0.0	1,036.0	1,036.0	0%	0.0	719.4	719.4	0%
Infrastructure	0.0	11,402.6	11,402.6	1%	0.0	6,600.2	6,600.2	1%
Commodities	1,527.5	0.0	1,527.5	0%	1,881.2	0.0	1,881.2	0%
Equities	126.4	568,016.4	568,142.8	55%	0.0	614,480.5	614,480.5	55%
Bonds	0.0	119,004.7	119,004.7	12%	0.0	183,180.1	183,180.1	16%
Other	0.0	1,123.7	1,123.7	0%	0.0	226.6	226.6	0%
Total	**1,653.9**	**700,583.4**	**702,237.3**	**68%**	**1,881.2**	**805,206.8**	**807,088.0**	**73%**
Derivatives								
Inflation	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Interest rates	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Foreign exchange	0.0	217.2	217.2	0%	0.0	(127.2)	(127.2)	0%
Other	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Total	**0.0**	**217.2**	**217.2**	**0%**	**0.0**	**(127.2)**	**(127.2)**	**0%**
Private Equity	0.0	59,031.7	59,031.7	6%	0.0	68,458.7	68,458.7	6%
Cash and cash equivalents	26,021.6	14,480.9	40,502.5	4%	44,390.8	(32.9)	44,357.9	4%
Total Assets	**126,264**	**905,310**	**1,031,574**	**100%**	**87,853**	**1,025,324**	**1,113,177**	**100%**

Asset and Liability Matching (ALM) Strategy

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

Asset Allocation

The strategic investment benchmark is heavily weighted towards equities as the asset class expected to provide the highest return over the medium to long term. There is also a significant exposure to property and infrastructure (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 managers of the Fund 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 (consistent with the objectives of the Fund).

Manager Structure

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

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

Impact on the Council's Cash Flows

The objectives of the scheme are set out in East Sussex Pension Fund's Funding Strategy Statement (FSS), dated 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;
- 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 next triennial valuation is due to be completed on 31 March 2019.

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 2020 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 2016 actuarial valuation report dated 30 March 2017, which can be found on East Sussex County Council's website, www.eastsussex.gov.uk.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the financial year to 31 March 2020 will be in the region of £27.663m.

An analysis of the projected amount to be charged to the CIES for the financial year to 31 March 2020 is shown below:

Projected Defined Benefit Cost for the Period Ended 31 March 2020			
	Assets	Liabilities	Net Liability
	£'000	£'000	£'000
Projected current service cost	0	(56,941)	(56,941)
Total Service Cost	**0**	**(56,941)**	**(56,941)**
Interest income on scheme assets	26,776	0	26,776
Interest cost on scheme liabilities	0	(35,585)	(35,585)
Total Net Interest Cost	**26,776**	**(35,585)**	**(8,809)**
Total Charge to CIES	**26,776**	**(92,526)**	**(65,750)**

The weighted average duration (i.e. the weighted average time until payment of all expected future discounted cash flows, determined based on membership and the financial and demographic assumptions as at the date of the 2016 actuarial valuation) of the defined benefit obligation for scheme members is 18.1 years for 2018/19 (18.1 years 2017/18).

24 External Audit Costs

In 2018/19, the council incurred the following costs in relation to the audit of the financial statements and the certification of grant claims and returns:

External Audit Costs		
	2017/18	2018/19
	£'000	£'000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor	162	122
Fees payable to the external auditor for the certification of grant claims and returns	18	17
Total	**180**	**139**

In 2017/18 the council received a rebate of £0.024m from Public Sector Audit Appointments in regard to audit fees paid.

25 Publicity

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

26 Agency Services

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

Council Tax

The council, as a billing authority for council tax, acts as an agent on behalf of the Sussex Police & Crime Commissioner and the East Sussex Fire Authority. The council has included a debtor of £0.511m (creditor of £0.080m 2017/18) for council tax income collected as an agent but which has not yet been paid to the two preceptors as at 31 March 2019.

Non Domestic Rates (NDR)

The council, as a billing authority for non-domestic rates, acts as an agent on behalf of central government and the East Sussex Fire Authority. The cash collected by the council from non-domestic rates taxpayers belongs proportionately to the council, central government (by means of its central share) and the precepting authority. The council has recognised a creditor of £5.963m (£3.151m 2017/18) for cash collected from non-domestic rates taxpayers as an agent for central government and the precepting authority, but which has not yet been paid to central government and the precepting authority as at 31 March 2019.

The Collection Fund Statement and note 30 provide more detail in respect of income and expenditure in relation to these agency services.

27 Partnership and Section 75 (S75) Arrangements

Under Section 75 (S75) of the National Health Service Act 2006, National Health Service (NHS) bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services or pooled budgets. During 2018/19, the council was party to the following S75 arrangements:

Adult Social Care

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

The council made a commissioning contribution of £15.048m (£13.063m 2017/18) to this S75 arrangement in 2018/19. This contribution is reflected in the health & adult social care cost of service within the CIES.

The gross income to the partnerships in 2018/19 is £18.956m (£16.885m 2017/18) including CCG commissioning contributions. This has been expended by lead providers as follows:

Section 75 - Adult Social Care		
	2017/18	2018/19
	£'000	£'000
Sussex Partnership Foundation Trust	422	508
Brighton & Hove City Council	13,063	15,048
Brighton & Hove Clinical Commissioning Group	3,400	3,400
Total	**16,885**	**18,956**

Better Care Fund (Adult Social Care)

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

With effect from 1 April 2015, some adult social care services, covering the geographical area of the council, have been provided under the Brighton & Hove Better Care Fund partnership arrangement. The CCG acts as the lead commissioner for proactive care services, integrated primary care teams, homeless projects and dementia services. The council is the lead commissioner for the community equipment store (from 1 October 2015), protecting social care function, carers and keeping people well services. Although there are lead commissioners for services, all decisions are made jointly by both organisations and signed off 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 2018/19 was £24.647m (£25.735m 2017/18) as shown in the following table:

Better Care Fund		
	2017/18 £'000	2018/19 £'000
Brighton & Hove City Council	(7,367)	(6,045)
Brighton and Hove Clinical Commissioning Group	(18,368)	(18,601)
Total	**(25,735)**	**(24,647)**

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

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

Better Care Fund - Memorandum Account			
2018/19	**CCG £'000**	**Council £'000**	**Total £'000**
Income and Expenditure			
Contribution to the pooled budget	(18,601)	(6,045)	**(24,647)**
Net expenditure from the pooled budget	11,003	13,644	**24,647**
Surplus / (deficit) to be shared across parties to the pooled budget			**(0)**
Balance Sheet			
Contribution to the pooled budget	(18,601)	(6,045)	**(24,647)**
Total spend	**(18,601)**	**(6,045)**	**(24,647)**
Cash	18,961	6,038	**24,999**
Debtors	13	20	**34**
Creditors	(373)	(13)	**(387)**
Cumulative surplus / (deficit)	**0**	**(0)**	**0**

Better Care Fund - Memorandum Account			
2017/18	**CCG £'000**	**Council £'000**	**Total £'000**
Income and Expenditure			
Contribution to the pooled budget	(18,368)	(7,367)	**(25,735)**
Net expenditure from the pooled budget	10,926	14,809	**25,735**
Surplus / (deficit) to be shared across parties to the pooled budget			**(0)**
Balance Sheet			
Contribution to the pooled budget	(18,368)	(7,367)	**(25,735)**
Total spend	**(18,368)**	**(7,367)**	**(25,735)**
Cash	18,612	7,230	**25,842**
Debtors	0	147	**147**
Creditors	(244)	(10)	**(254)**
Cumulative surplus / (deficit)	**(0)**	**0**	**0**

Orbis Joint Operating Budget

Funding provided to the pooled budget in 2018/19 totalled £59.819m (£48.166m in 2017/18). The funding included: Surrey County Council £32.931m (£33.586m in 2017/18), East Sussex County Council £14.112m (£14.580m in 2017/18) and Brighton and Hove City Council £12.776m (£nil 2017/18). The expenditure met from the pooled budget in 2018/19 was £59.819m (£48.166m in 2017/18) resulting in a Net Surplus/Deficit on the pooled budget of £nil in both 2018/19 and 2017/18.

28 HRA Rent Arrears

At 31 March 2019, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £1.840m (£1.333m 31 March 2018). This represents an increase in arrears as a proportion of gross rental income from 2.63% to 3.63%.

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

Rent Arrears and other Bad Debts written off		
	2017/18	2018/19
	£'000	£'000
Impairment at 1 April	**1,169**	**1,304**
Change in impairment charged to the HRA	228	318
Rent arrears and other bad debts written off	(93)	(100)
Impairment for Bad Debts at 31 March	**1,304**	**1,522**

29 Collection Fund - Council Tax

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

Council Tax Base				
Band	Estimated number of Chargeable Dwellings	Estimated number of Chargeable Dwellings after Discounts	Band Ratio	Band D Equivalent Dwellings
Band A*	21	17.25	5/9	9.60
Band A	25,828	17,029.25	6/9	11,352.80
Band B	27,700	20,750.00	7/9	16,138.90
Band C	31,514	26,040.00	8/9	23,146.70
Band D	18,548	16,401.30	9/9	16,401.30
Band E	10,858	10,000.50	11/9	12,222.80
Band F	4,524	4,232.75	13/9	6,114.00
Band G	2,660	2,517.50	15/9	4,195.80
Band H	153	143.75	18/9	287.50
				89,869.40
Less provision for losses in collection				-893.00
Tax Base for 2018/19				**88,976.40**
Tax Base for 2017/18				**87,388.80**

** Entitled to disabled relief reduction.*

The estimated gross council tax yield (before the provision for losses in collection) for 2018/19 of £162.374m was based on Band D equivalent dwellings of 89,869.40 multiplied by the average Band D council tax charge of £1,806.78. The actual gross council tax yield for 2018/19 of £162.015m is equivalent to an increase of 199 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 main reasons for the increase in the current reporting period are greater than forecast reduction in council tax reduction awards as a result of caseload.

30 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 is allowed to retain 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 on the basis of the rateable value for business premises multiplied by a non-domestic multiplier. The total non-domestic rateable value at 31 March 2019 was £311.703m (£309.898m at 31 March 2018). The non-domestic multiplier for 2018/19 was 49.3p and the small business non domestic multiplier was 48.0p.

31 Trust Funds

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

Trust Fund Accounts					
Capital Market Value		Revenue Balance 01 April 2018	2018/19 Expenditure	2018/19 Income	Revenue Balance 31 March 2019
£'000		£'000	£'000	£'000	£'000
1,595	Brighton Fund	(113)	48	(52)	(117)
3,218	Gorham's Gift	134	93	(113)	114
869	Hedgcock Bequest	(168)	61	(55)	(162)
92	Royal Pavilion and Museums Foundation	(1,112)	574	(450)	(988)
	Other Trusts				
124	Music Trust	(5)	59	(53)	1
193	Various Libraries and Museums Bequests	(188)	1	(11)	(198)
6,091	**Total**	**(1,452)**	**836**	**(734)**	**(1,350)**

The capital market value shows the valuation of Charities Official Investment Fund (COIF) shares and other investments at the mid-market prices at 31 March 2019. The council acts as the sole trustee in respect of all funds listed with the exceptions of Gorham's Gift and the Royal Pavilion and Museums Foundation.

Brighton Fund

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

Gorham's Gift

The Gorham's Gift Trust was set up by a wealthy landowner to help maintain the village of Telscombe and the neighbouring area. The investment property for Gorham's Gift is included in the capital market value and was valued at £2.713m as at August 2014. In 2017/18 the major project to convert the Bank cottage which had been previously used as a youth hostel back into 3 cottages was completed. Further investments will be sold in 2019/20 to pay for final costs.

Hedgcock Bequest

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

Royal Pavilion and Museums Foundation

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

Music Trust

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

Various Libraries and Museums Bequests

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

Appendix 1 - Information on Operating Segments

The council is operationally managed by six directorates; their main responsibilities are:

Family, Children & Learning commissions, procures and provides a wide range of social care and educational services for children, young people and adults with learning disabilities, often in partnership with other agencies. The directorate is split into four main divisions: Health, SEN & Disability Services; Education and Skills; Children's Safeguarding & Care and Quality Assurance & Performance. The directorate includes education and schools services and works on a multi-agency basis with many partners including health services. Significant service areas include Sure Start and early years services, fostering and adoption; social work, safeguarding and child protection, looking after children in care, youth services, leadership of the education function and school advisory services and nursing, residential, home care and other support for adults with learning disabilities.

Health & Adult Social Care commissions, procures and provides a wide range of social care services for adults, including supported living services, residential care, day services and day options, telecare and respite services. Services are provided to frail older people, those with physical disabilities, and those with mental health issues as well as other vulnerable groups such as those with drug or alcohol problems. Significant service areas include assessment services, hospital and community social work and help for people to remain in their own homes including intensive home care, respite care, occupational therapy and home adaptations. In addition, the directorate promotes greater health equality across the city and commissions services to improve health and wellbeing covering the following areas: drugs and alcohol, obesity and nutrition, smoking cessation, sexual health, mental well being, child health including parenting and healthy communities and work places.

The **Economy, Environment & Culture** directorate commissions, procures and provides a range of infrastructure services including planning, transport, and economic development and regeneration. The directorate also provides refuse collection and recycling services and manages the city's parks, Brighton Centre, seafront, Royal Pavilion and museums, and sports & leisure facilities. Other significant service areas include building and development control, highways, transport management and planning and the management of waste disposal. The directorate includes the property and design service which includes the council's commercial and rural property portfolio.

The **Neighbourhoods, Communities and Housing** directorate focuses on developing closer and better relationships with communities, driving improvement in customer satisfaction and developing the council's working with public service partners. This includes delivering a step change in partnership working with the third sector and enhancements in volunteering opportunities. The directorate includes housing services, libraries, regulatory services (environmental health, licensing, emergency planning and trading standards), community safety and the Community, Equalities and Third Sector team.

Finance & Resources includes a wide range of business support functions to ensure that the council operates within effective and robust internal control and risk management frameworks. Business and statutory processes and requirements are supported including financial services, human resources and ICT. The Finance & Resources directorate also includes customer service centres and receptions and revenues and benefits services for collecting council tax and business rates and the administration of housing benefits and the Council Tax Reduction Scheme. Finance & Resources services are now part of the Orbis

Shared Services partnership with Surrey and East Sussex County Councils under an Inter-Authority Agreement.

Strategy, Governance and Law supports the council's leadership in understanding the needs of the city, and ensuring a high performing, modern and resilient council. Legal services advises officers and members on legal matters covering all areas of the council's responsibilities and democratic services ensures the smooth and efficient management of the decision-making processes of the council. Corporate policy services ensure appropriate responses to national legislative changes and initiatives as well as helping the council to undertake consultation and engagement, and meet its equalities duties. The communications service promotes open and transparent internal and external communications and information and develops campaigns for the promotion or reputational management of the council and / or its services. The directorate also contains the Performance, Improvement and Programmes team which supports organisational change and life events services such as registrars and the Woodvale crematorium. Legal Services are part of the Orbis Public Law (OPL) shared service with Surrey, East Sussex and West Sussex County Councils.

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

Corporate Budgets: these centrally managed areas include the financing costs of the council's debt, the concessionary fares scheme, and the costs of corporate council management. It also includes income from non- ring fenced government grants.

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

The **Dedicated Schools Grant (DSG)** is a ring fenced grant and is split into three blocks – Schools Block funding schools, academies and free schools; High Needs Block funding special schools and supporting 0-19 pupils with SEN and the Early Years Block , funding two, three and four year olds in early years settings. The grant is allocated each year by the Department for Education’s Education Funding Agency.

Appendix 2 -Information on Heritage Assets

The Royal Pavilion

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

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

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

The Volks Railway

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

In 1947, following a forced closure as a result of WWII, the Brighton Corporation, which became the council, took over the railway and restored it with the line re-opening in 1948. The railway has remained under the council's control since this time.

The railway is looked after by a small team of permanent staff which is supplemented in the summer with seasonal train drivers and cashiers. . The railway runs daily during each summer season and access is also permitted by appointment.

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

The Council has successfully secured £1.650m funding from the Heritage Lottery Fund to restore the railway. Work will include restoring three original carriages, creating a conservation workshop including a public viewing gallery and replacing the existing west end station with a new station, visitors centre and café. Work is scheduled for completion spring 2018.

West Blatchington Windmill

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

The Mill stands isolated on a central island and in 1979 the building was opened to the public after extensive renovation and restoration by both the council and a group of volunteers.

During 1997, the north barn was, in part, reconstructed affording more space with seating, tables and video viewing facilities plus a small kitchen for visitor refreshments. The fabric of this Grade 2 listed windmill is maintained by the council with the internal restoration, purchase and display of exhibits and opening to visitors carried out by the Friends of West Blatchington Windmill.

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

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

Rottingdean Windmill

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

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

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

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

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

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

Collections and Rare Books

The Collections heritage assets consist of the following:

- Decorative Art - Designated collection comprising 17th - 21st Century British, European and American applied art and industrial design. The collection also includes furniture and furnishing textiles, clocks and watches, metalwork and jewellery, glass and ceramics, also some Oriental and Islamic wares made for the European market and contemporary craft, including the Arts Council (South East) Craft Collection, which comprises work in all media by makers living or working in the South East region;
- Natural Sciences - Designated collection covering local, British and international zoological, botanical and geological material, manuscripts and records including the Booth collection of British birds, insect collections (especially Lepidoptera) osteology, birds' eggs, herbaria, molluscs and local marine and chalk fossils;

- World Art - Designated collection including mid 19th - 21st Century objects, textiles, photographs, reference material, books, archives and testimony relating to Africa, Asia, Oceania and America. The collection also includes some archaeological and European folk material;
- Musical Instruments - European and World Art instruments from the 18th - 20th Century;
- Fine Art - European Old masters in particular from the Italian, Netherlandish, German and French schools, 18th - 20th Century, British watercolours, 17th - 20th Century European prints, 16th - 20th Century British oil paintings, the Heyer Bequest of 20th Century American paintings and topographical material relating to the history of Brighton, Hove and the immediate locality, including renowned personalities and events;
- Costume and Textiles - British, West European and North American men's, women's and children's costume and accessories from the mid 18th Century to the present day, costumes from Les Ballets 1933 and some European national costumes and needlework, samplers and quilts from the mid 18th Century to the present day;
- Toys - British and European 18th - 21st Century toys, dolls and dolls' houses including examples that represent particular cultural or ethnic groups;
- Film and Media - Lantern slides, material and equipment relating to the film industry in England 1896-1930 and material and equipment relating to the cinema in SE England 1896 to the present day;
- Edged Weapons and Firearms - 14th - 20th Century British and European material;
- Local and Social History - 18th - 21st Century artefacts, ephemera, oral history, photographs and negatives, British 18th - 20th Century domestic and agricultural tools and equipment, and fire engine. The collection also includes the Sussex Collection of reference material, books, journals, newspapers, ephemera and documentary archives in the Brighton History Centre;
- Archaeology - Palaeolithic to Medieval material predominantly from Brighton and Hove and international material including significant Egyptian items;
- Numismatics - Classical Greek and Roman, Celtic, Anglo-Saxon, Medieval material through to the present, including medals and trade tokens;
- Oral History - Oral histories illustrative of an individual's experience of Brighton and Hove and histories related to the following collections: local and social history, world art, costume, craft, toys, film and media;
- Education - Material used for handling and demonstration;
- Preston Manor - Furniture, silver, ceramics, glass and pictures bequeathed with the house in 1932, the Macquoid collection comprising furniture, silver, ceramics, pictures, and 400 books with rare editions by Sussex authors and social history items in the servants' quarters;
- Royal Pavilion - Decorative arts of the Regency period and original furniture and fittings from the Royal Pavilion, portraits, artefacts and documents related to George IV and his circle, particularly in relation to Brighton and archival material relevant to the development of the Royal Pavilion Estate;
- Rare Books – a collection of 45,000 items in the Jubilee Library which range from medieval manuscripts and incunabula to autograph letters.

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

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

Appendix 3 - 2018/19 Corporate KPIs mapped to Corporate Plan 2015/19

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Families Children and Learning			
1	Schools are judged to be good or outstanding by OFSTED	Quarterly	Children & Young People 1: Providing high quality education that creates skills for work. Also Economy, Jobs and Housing 2: Improving local educational attainment and local access to skills training so that everyone can benefit from economic prosperity.
2	The average Progress 8 score of all pupils attending state funded schools	Annual	
3	The average Progress 8 score for children in care in state-funded schools	Annual	
4	The average Progress 8 score for disadvantaged pupils attending state funded schools	Annual	
5	% of all pupils attending state funded schools achieving the 'expected standard' in reading, writing and maths at the end of key stage 2	Annual	
6	Number of first time entrants to the youth justice system	Quarterly	Community Safety and Resilience 2: Reducing risk and harm for those who are subjected to crime and disorder and working to address the risk factors and behaviours of perpetrators.
7	Number of children in care	Quarterly	Children and Young People 4: Creating the best opportunities for children and young people in care, fulfilling the role as a council of good corporate parent.
8	% of disadvantaged pupils attending state funded schools achieving the 'expected standard' in reading, writing and maths at the end of key stage 2	Quarterly	Children and Young People 5: Ensuring that, where children and families require support, the council provides early help services that make a difference.
9	Number of families identified as part of the Stronger Families Stronger Communities programme who are 'turned around' (Phase 2)	Annual	Children and Young People 6: Working in strong partnerships across the city, for example in relation to integrated services for children with special educational needs or with a disability.

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Health & Adult Social Care			
1	Permanent admissions of older adults (65+) to residential and nursing care homes per 100,000 population	Quarterly	Health and Well Being 4: Providing better care services for older and vulnerable people, focused on personal choice and staying independent.
2	Delayed transfers of care attributable to social care	Quarterly	
3	Percentage of social care clients receiving Direct Payments	Quarterly	
4	Percentage of adults with learning disabilities known to the council in paid employment	Quarterly	
5	Percentage of older people (65 and over) still at home 91 days after discharge from hospital into reablement/rehabilitation services	Annual	
6	Percentage of carers assessments completed	Quarterly	
7	Telecare: Proportion of care packages that include Telecare as an element	Quarterly	
8	Alcohol related hospital admissions per 100,000 population	Monthly	Health and Well Being 1: Promoting healthy choices and lifestyles to prevent long term health conditions.
9	Number of drug related deaths	Annual	
10	Under 18 conception rate per 1000 women as measured by reduction from baseline	Quarterly	

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Economy Environment and Culture			
1	The percentage of household waste sent for reuse, recycling and composting	Monthly	Environmental Sustainability 1: Promoting and delivering a broader understanding of sustainability for the city and public services that aims to protect the future of the environment and communities together.
2	Missed refuse collections per 100,000 collections	Monthly	
3	Missed recycling collections per 100,000 collections	Monthly	
4	Percentage of streets inspected which are found to have widespread or heavy levels of litter	Annual	
5	Percentage reduction in Carbon Dioxide emissions per capita from a 2005 baseline	Annual	
7	Annual average daily traffic counts on key routes into the city – inner routes	Annual	Environmental Sustainability 4: Improving the sustainability of the council's transport

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Economy Environment and Culture			
8	Percentage of bus services running on time	Annual	infrastructure and reducing the need to travel through improved digital infrastructure.
9	Percentage of people in the city who are employed	Annual	Economy, Jobs and Housing 1: Working with the council's Greater Brighton city region partners to build sustainable growth and investment, increasing economic resilience and generating more, higher-paid jobs.
10	Percentage growth in the number of Jobs	Annual	
11	Percentage growth in private sector jobs	Annual	
12	Number of businesses signed up to the Brighton & Hove Living Wage Campaign	Annual	
13	The speed of determining applications for major development	Quarterly	Economy, Jobs and Housing 3: Bringing about quality development to enable sustainable growth, addressing the need for better business space, affordable homes and student accommodation across the city region.
14	The speed of determining applications for non-major development	Quarterly	
15	% major planning application decisions that are overturned at appeal	Quarterly	
16	% non-major planning application decisions that are overturned at appeal	Quarterly	
17	In-year supply of ready to develop housing sites as per 2015-2030 trajectory	Annual	
18	Residents that have attended any creative, artistic, theatrical or musical events in the past 12 months (City Tracker)		Health and wellbeing 2 : Encouraging leisure activity, outdoor recreation and active travel as part of good physical and mental health and making the most of the city's unique cultural and natural offer.
19	Number of visitors to Brighton & Hove	Annual	Health and Well Being 6: Promoting leisure and active travel as part of good physical and mental health, making the most of the city's unique cultural and natural attractions. Also Economy, Jobs and Housing 5: Using the council's international UN Biosphere Reserve status and the council's cultural offer to promote the city region as a unique, international destination.

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Neighbourhoods Communities and Housing			
1	The percentage of people feeling safe after dark in their local area (City Tracker)	Annual	Community Safety and Resilience 4: Maintaining physically safe and inclusive neighbourhoods that encourage community activity and social action, making the most of the city's open spaces and ensuring road safety.
2	Nitrogen dioxide levels in Brighton and Hove (µg/m3 - micrograms per cubic meter) Lewes Road	Quarterly	Environmental Sustainability 4: Improving the sustainability of the council's transport infrastructure and reducing the need to travel through improved digital infrastructure.
3	Nitrogen dioxide levels in Brighton and Hove (µg/m3 – micrograms per cubic meter) North Street	Quarterly	
4	Percentage of people aged 18+ who smoke	Annual	Health and Well Being 1: Promoting healthy choices and lifestyles to prevent long term health conditions.
5	Residents that very strongly or fairly strongly feel they belong to their immediate neighbourhood (City Tracker)	Annual	Community Safety and Resilience 3: Protecting communities and victims, promoting good relations between communities and diverse groups.
6	Residents that definitely or tend to agree that your local area is a place where people from different backgrounds get on well together (City Tracker)	Annual	
7	Number of affordable homes delivered per year - new build and conversions	Annual	Economy, Jobs and Housing 3: Bringing about quality development to enable sustainable growth, addressing the need for better business space, affordable homes and student accommodation across the city region.
8	Private sector vacant dwellings returned into occupation or demolished	Quarterly	Health and Well Being 6: Ensuring the city's housing stock is well managed and good quality, to support independence, health and wellbeing, and avoid homelessness. Also Economy, Jobs and Housing 4: Investing in existing and new
9	Decent homes - % council homes that meet the Decent Homes standard	Quarterly	
10	Percentage of households that experience fuel poverty based on the "low income, high cost" methodology	Annual	

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Neighbourhoods Communities and Housing			
			housing stock which supports residents and families to live independently, in decent accommodation.
11	The number of households where homelessness was prevented due to casework by the council	Quarterly	Health and Well Being 6: Ensuring the city's housing stock is well managed and good quality, to support independence, health and wellbeing, and avoid homelessness.
12	Number of people who cease to become rough sleeping, now in sustainable accommodation	Quarterly	
13	Number of rough sleepers (estimate)	Annual	
14	Housing tenants: rent collected as proportion of rent due	Monthly	Environmental Sustainability 1: Promoting and delivering a broader understanding of sustainability for the city and public services that aims to protect the future of the environment and communities together.

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Finance & Resources			
1	Percentage of priority audit recommendations (that have passed their agreed implementation deadline) that have been implemented	Quarterly	Public Accountability 4: Strengthening the council's partnership delivery arrangements and building collaborative, trustful and empowering relationships between the council and citizens.
2	Percentage of invoices for commercial goods and services that were paid within 30 days	Monthly	
3	Percentage of Purchase Orders raised on ordering rather than when invoiced	Quarterly	
4	Average number of working days and shifts lost per full time equivalent (FTE) due to sickness absence (not including schools)	Monthly	Public Accountability 1: Upholding the democratic principles of the council's constitution, ensuring the council represents and reflects communities and citizens who elect councillors and pay council tax, and:

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Finance & Resources			
			Increasing equality 2: Ensuring people are not discriminated against because of their identity, such as their age, gender identity, ethnicity, sexual orientation, disability or religion or belief.

Ref	Indicator	Frequency	Mapped to Corporate Plan 2015/19
Strategy Governance and Law			
1	Whistle blowing allegations received	Quarterly	Public Accountability 2: Demonstrate that the council learns from its actions, reviewing and evaluating performance to address things that work well and those that do not.
2	Residents very or fairly satisfied with Brighton & Hove City Council (City Tracker)	Annual	Increasing Equality 3: Understanding the city's growing and diverse population, changing the council's approaches to engagement and public services accordingly.
3	Residents that think, overall, that Brighton & Hove City Council keeps residents well informed about the services and benefits it provides (City Tracker)	Annual	
4	Number of stage 1 complaints received by Corporate Customer Feedback Team	Quarterly	Citizen Focussed 1: Knowing what drives demand for public services by engaging with the city's diverse communities and understanding how effective services are in meeting their needs.
5	Percentage of all complaints received by the council that are not resolved at Stage 1 and are escalated to Stage 2 and investigated.	Quarterly	
6	Percentage of Local Government and Social Care Ombudsman (LGSCO) complaints upheld or partially upheld	Quarterly	
7	Number of compliments received	Annual	

Brighton & Hove City Council

Statement of Accounting Policies 2018/19

Statement of Accounting Policies Contents

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the council's transactions for the reported financial year and its position at the year end. The council is required to prepare an annual Statement of Accounts (i.e. financial statements) by the Accounts and Audit Regulations 2015, which require the financial statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

3. Accounting Concepts

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

- **Relevance** – the financial statements are prepared with the objective of providing information about the council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions;
- **Materiality** – the concept of materiality has been utilised in preparing the financial statements (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.

4. Fair Value Measurement

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

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

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

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

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

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

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

5. School Transactions

The council accounts for transactions relating to schools in accordance with the Code which confirms that the balance of control for local authority maintained schools (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). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the council as if they were the transactions, cash flows and balances of the council.

6. Grants and Contributions

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

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

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

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

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

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

7. Revenue Recognition

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

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

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

- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for retrospectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

No restatements of the opening balance at 1 April 2018 have been required for the implementation of IFRS 15 – Revenue from Contracts with Customers.

8. Charges to Revenue for Non-Current Assets

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

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

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

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

Council Tax

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

Non-domestic rates income is included within the CIES and represents the accrued income for the financial year. The allowance for the cost of collection is included within the CIES. 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 included 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.

10. Value Added Tax (VAT)

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

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

11. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on demand. The council defines cash equivalents as highly liquid investments which are no longer than three months and represent the investment of cash surpluses lent to cover cash shortages. They are readily convertible to known amounts of cash with insignificant risk of change in value.

In terms of cash flow and treasury management, the council collectively manages its bank accounts under one umbrella, therefore the net cash position is shown either as cash, as part of cash and cash equivalents or bank overdraft on the Balance Sheet.

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

The council uses the indirect method to present its revenue activities cash flows, whereby the net surplus or deficit on the provision of services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

12. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees. They are recognised as an expense for services in the financial year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, 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:

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

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

- service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned in the current financial year – this cost is allocated within the CIES to the services for which the employees worked;
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier financial years – this cost is debited to non-distributed costs within the CIES;
    - net interest on the net defined benefit liability (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 services within the CIES.

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

Discretionary Benefits

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

13. Provisions

Provisions are made where an event has taken place whereby the council has a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential to settle the obligation and a reliable estimate can be made of the amount of the obligation. For example, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

14. Reserves

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

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

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

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

15. Contingent Liabilities and Contingent Assets

Contingent Liabilities

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

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

Contingent Assets

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

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

16. Overheads and Support Services

The costs of central and departmental overheads (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 are included within a service segment as part of management reporting arrangements they are also reflected in that service segment within CIES.

17. Property, Plant and Equipment (PPE)

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

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (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 deminimis level of £20,000 for land and buildings and vehicles, plant and equipment. Items of expenditure below this deminimis level are charged to the relevant service within the CIES in the year they are incurred. In certain cases, the council capitalises particular items of expenditure that is below its deminimis level (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 deminimis level for enhancement expenditure and therefore all enhancement expenditure is capitalised.

Measurement

PPE assets are initially measurement at cost comprising purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the council, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The costs of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (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:

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

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

Where, following revaluation of an individual land and / or building asset, the value drops below the deminimis level, the deminimis value of the asset is revalued downwards to nil.

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

Decreases in valuations are accounted for by:

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

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

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

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, they are accounted for by:

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

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

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

Depreciation

Depreciation is applied to all PPE assets, except for assets without a determinable finite useful life (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 statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the CAA.

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred from the revaluation reserve to the CAA.

Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, the council reclassifies the asset as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to other operating income and expenditure within the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised within the CIES. Depreciation is not charged on assets held for sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset on the Balance Sheet (whether PPE or assets held for sale) is written off to other operating income and expenditure within the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line within the CIES also as part of the gain or loss on disposal (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 CAA.

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

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

Asset Componentisation

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

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

Componentisation is only applied to building elements of assets categorised as PPE and that are subject to depreciation. Vehicles, plant and equipment assets are not componentised as they do not have separately identifiable components of significant value or a significant difference in asset life. Community assets are unlikely to be componentised as they are held at either cost or nil value. Assets under construction are not considered for componentisation until they become operational. The council does not currently consider infrastructure assets for componentisation.

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

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

18. Heritage Assets

The majority of the council's heritage assets are reported on the Balance Sheet at current insurance valuations. 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 deminimis level of £20,000 for heritage assets. Items of expenditure below this deminimis level are charged to the relevant service within the CIES in the financial year it is incurred.

19. 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

20. Leases and Lease Type Arrangements

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. When the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

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

The council may enter into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments. Such arrangements are accounted for under this policy where fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (i.e.the right to control the use of the underlying asset).

The Council as Lessee - Finance Leases

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

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

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

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

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

The Council as Lessee - Operating Leases

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

The Council as Lessor - Finance Leases

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

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

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

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

The Council as Lessor - Operating Leases

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

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

Rental income from operating leases is recognised over the lease term and credited to other operating income and expenditure within the CIES.

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

21. Private Finance Initiative (PFI)

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

Recognition

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

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

Measurement

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

Where a PFI arrangement can be separated into a service element and a construction element, the service element is expensed as incurred and the construction element is accounted for as if it were a finance lease and allocated into an element relating to the repayment of the liability and an interest element in accordance with the arrangements for a finance lease. The interest element is charged as incurred to financing and investment income and expenditure within the CIES, with the balance of the payment used to reduce the outstanding liability on the Balance Sheet. Subsequent to initial recognition, the asset is measured following the council's principles for assets acquired under a finance lease. The liability is measured in a similar manner to the liability resulting from a finance lease. The liability is reported as a financial liability but is measured under the *leases* accounting policy.

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

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

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

Prepayments and Capital Contributions

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

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

Income Received

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

22. Investment Property

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

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

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

MiRS and posted to the CAA and (for any sale proceeds greater then £10,000) the capital receipts reserve. HRA revaluation and disposal gains and losses are an actual charge to the HRA balance.

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

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

23. Intangible Assets

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

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

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

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

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

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

An intangible asset is derecognised on disposal or when no future economic benefits are expected from the asset. The gain or loss is recognised as other operating income and expenditure within the CIES. The gain or loss is not a proper charge to the General Fund / HRA balance therefore the amount of disposal proceeds (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.

24. 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 CAA and crediting the General Fund / HRA balance with the transfer being reported in the MiRS.

25. 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)
- 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 Comprehensive Income and Expenditure Statement (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 Movement in Reserves Statement.

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

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
- other instruments with fixed and determinable payments – 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 that the Council can access at the measurement date.
- **Level 2 inputs** – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- **Level 3 inputs** – unobservable inputs for the asset.

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 5 years from 1/4/18) any unrealised gains or losses can be transferred via the Movement in Reserves Statement 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 Comprehensive Income and Expenditure Statement.

Expected Credit Losses

The Council recognises expected credit losses (impairments) on all of its 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 have been 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 Movement in Reserves Statement to the Capital Adjustment Account.

Debt Redemption

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

For debt where the Government provides revenue support, the council sets aside a sum of 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.

26. Events after the Reporting Period

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

- adjusting events - those events that provide evidence of conditions that existed at the end of the financial year. In this instance, the financial statements are adjusted to reflect such events;
- non adjusting events - those events that are indicative of conditions that arose after the year end. In this instance, the financial statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

27. Joint Operations

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

Brighton & Hove City Council

Independent Auditor's Report 2018/19

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Brighton and Hove City Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Housing Revenue Account Income and Expenditure Statement, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements, Notes to the Housing Revenue Account Statement and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director Finance and Resource's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director Finance and Resource's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Executive Director Finance and Resource's is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.
We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the Executive Director Finance and Resource's and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director Finance and Resource's. The Executive Director Finance and Resource's is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director Finance and Resource's determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director Finance and Resource's is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Brighton and Hove City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Darren Wells
for and on behalf of Grant Thornton UK LLP, Local Auditor
2nd Floor
St Johns House
Crawley
RH10 1HS

Date

Brighton & Hove City Council

Glossary of Terms 2018/19

Glossary of Terms

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

The **Accruals Basis** is the recognition of items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the year in which those effects are experienced and not necessarily in the period in which any cash is received or paid.

The **Accumulated Absences Account** absorbs the differences that would otherwise arise on the General Fund /HRA balance from accruing for employees' paid absences earned but not taken in the year (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.

The **Amortised Cost of a Financial Asset or Financial Liability** is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method (i.e. a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period) of any difference between that initial amount and the maturity amount, and minus any reduction or impairment or uncollectability.

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

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

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

An **Audit of Financial Statements** is an examination by an independent expert of the council's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

An **Available for Sale Financial Asset** is a non-derivative financial asset that is not classified as loans and receivables, held to maturity investments or held for trading.

The **Available for Sale Financial Instruments Reserve** records the unrealised revaluation gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments.

The **Balance Sheet** shows the value of the assets and liabilities recognised by the council as at the Balance Sheet date.

Benefits Payable during Employment covers:

- short term employee benefits, such as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees;
- benefits earned by current employees but not expected to be settled wholly before 12 months after the year end in which the employees render the related service, such as long service leave and long term disability benefits.

A **Budget** expresses the council's service delivery plans and capital investment programmes in monetary terms.

The **Capital Adjustment Account (CAA)** absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The **Capital Financing Requirement** is the capital investment funded from borrowing which has yet to be repaid.

The **Capital Grants Unapplied Account (reserve)** holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The reserve also holds grants and contributions received towards capital projects for which there are no conditions for repayment attached where expenditure has yet to be incurred.

Capital Investment is expenditure on the acquisition of an asset that will be used to provide services beyond the financial year or expenditure which adds to and not merely maintains the value of an existing non-current asset.

The **Capital Investment Programme** is a financial summary of the capital projects that the council intends to carry out over a specified period of time.

A **Capital Receipt** is the proceeds from the sale of an asset.

The **Capital Receipts Reserve** holds the proceeds from the disposal of non-current assets, which are restricted by statute from being used other than to fund new capital investment or to be set aside to finance historical capital investment.

Capital Reserves represent resources earmarked to fund capital schemes as part of the council's capital investment strategy.

The **Carbon Reduction Commitment (CRC) Energy Efficiency Scheme** obligates the council to purchase and surrender CRC allowances in relation to carbon dioxide emissions.

The **Carrying Amount** is the amount at which an asset is recognised on the Balance Sheet after deducting any accumulated depreciation (or accumulated amortisation) and accumulated impairment losses.

Cash comprises cash in hand and demand deposits.

Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows are the inflows and outflows of cash and cash equivalents.

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the council during the financial year.

The **Collection Fund** is a separate fund recording the expenditure and income relating to council tax and non-domestic rates.

The **Collection Fund Adjustment Account** is used specifically to manage the accounting processes for council tax and non-domestic rates.

The **Commencement of the Lease Term** is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (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.

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.

The **Effective Interest Rate** is the rate that exactly discounts estimated future cash payments or receipts over the life of the instrument to the amount at which it was originally recognised.

Employee Benefits are all forms of consideration given by the council in exchange for service rendered by employees or for the termination of employment.

Employee Expenses include total salaries, employers' national insurance contributions, employers' pension contributions and indirect employee expenses including redundancy costs and pension accounting adjustments.

Estimation Techniques are the methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the financial statements are authorised for issue.

Exceptional Items are material items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the financial statements.

Existing Use Value is the estimated amount for which an asset or liability should exchange, on the valuation date, between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Existing Use Value – Social Housing (EUV-SH) is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arms length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

- the property will continue to be let by a body and used for social housing;
- at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;
- properties temporarily vacant pending reletting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to relet them, rather than with vacant possession;
- any subsequent sale would be subject to all of the above assumptions.

Exit Packages are departure costs paid to former employees who negotiate a package as part of their terms of leaving the council.

The **Expenditure and Funding Analysis** shows how the available funding (ie 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;
- a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A **Financial Liability** is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

A **Financial Instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity and includes trade payables and other payables, borrowings, bank deposits, trade receivables, loans receivable; other receivables and advances and investments.

The **Financial Instruments Adjustment Account** provides a specific accounting mechanism to reconcile the different rates at which gains and losses are recognised under proper accounting practices for borrowing and investments and are required by statute to be met from the General Fund balance.

Financing Activities are activities that result in changes in the size and composition of the principal received from or repaid to external providers of finance.

The **General Fund** is the statutory fund into which all the receipts of the council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise.

The **General Fund Balance** summarises the resources that the council is statutorily empowered to spend on its General Fund services or on capital investment (or the deficit of resources that the council is required to recover) at the year end.

Going Concern defines that the functions of the council will continue in operational existence for the foreseeable future.

Government Grants are grants made by the Government towards either revenue expenditure or capital investment to support the cost of the provision of the council's services.

Grants and Contributions are assistance in the form of transfers of resources to the council in return for past or future compliance with certain conditions relating to the operation of activities.

A **Heritage Asset** is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

Historical Cost is the carrying amount of an asset as at 1 April 2007 (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 **Inception of the Lease** is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Income is the gross inflow of economic benefits or service potential during the year when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves.

An **Intangible Asset** is an identifiable non-monetary asset without physical substance (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;
- in the form of materials or supplies to be consumed or distributed in the rendering of services;
- held for sale or distribution in the ordinary course of operations;
- in the process of production for sale or distribution.

Investing Activities are activities relating to the acquisition and disposal of non-current assets and other investments not included in cash equivalents.

Investment Property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes;
- sale in the ordinary course of operations.

Item 8 Credit and Debit (General) Determination covers the actual charges for capital in the HRA.

A **Lease** is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

The **Lease Term** is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payments, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

A **Liability** is a present obligation of the council arising from past events, the settlement of which is expected to result in an outflow from the council of resources embodying economic benefits or service potential.

Lifecycle Payments are the element of the unitary charge which reflects expenditure incurred by the PFI provider in the financial year to enhance, renew and maintain PFI assets.

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term (held for trading); or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration (available for sale).

Long Term Borrowing is loans raised to finance capital investment which have to be repaid over a period in excess of 12 months from the year end.

The **Major Repairs Reserve** holds an element of the capital resources required to be used on HRA assets or for capital financing purposes.

Materiality - omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP) is the minimum amount which must be charged each year in order to provide for the repayment of loans and other amounts borrowed by the council.

The **Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the council, analysed into usable reserves and other reserves.

The **Net Defined Benefit Liability (Pensions)** is the deficit, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The **Net Interest on the Net Defined Benefit Liability (Pensions)** is the change during the period in the net defined benefit liability that arises from the passage of time.

The **Net Realisable Value** is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

A **Non-Current Asset** is an asset that does not meet the definition of a current asset and has a long term benefit to the council.

Non 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;
- Capital financing costs including costs of unsupported borrowing.

Owner Occupied Property is property held (by the owner or by the lessee under a finance lease) for use in the delivery of services or production of goods or for administrative purposes.

The **Past Service Cost (Pensions)** is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction of, or withdrawal of, or changes to, a defined benefit scheme) or a curtailment (a significant reduction by the council in the number of employees covered by a scheme).

The **Pension Reserve** is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net charge in the council's recognised liability under IAS 19 *"Employee Benefits"*, for the same period.

Pooled Budgets are formal arrangements under Section 75 of the National Health Service Act 2006, between local authorities and primary care trusts, to share the costs of various services which overlap in terms of the responsibilities of the various authorities. One council hosts the entire activity for the partnership, and the other parties contribute towards the total costs on an agreed basis.

Post-Employment Benefits are employee benefits (other than termination benefits and short term employee benefits) that are payable after the completion of employment.

Post-Employment Benefit Plans (Schemes) are formal (or informal) arrangements under which the council provides post-employment benefits for one or more employees.

A **Precept** is a levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf, such as the Sussex Police & Crime Commissioner and the East Sussex Fire Authority.

The **Present Value of a Defined Benefit Obligation (Pension)** is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

A **Private Finance Initiative (PFI)** is a long term contractual public private partnership, under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.

Property, Plant and Equipment (PPE) are tangible assets (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.

The **Useful Life** is the period which a non-current asset is expected to be available for use by the council.

Value Added Tax (VAT) is an indirect tax levied on most business transactions and on many goods and some services.

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AUDIT & STANDARDS COMMITTEE	Agenda Item 28 Brighton & Hove City Council

Subject:		**Home to School Transport (Procurement Issue)**	
Date of Meeting:		**17 September 2019**	
Report of:		**Executive Director, Finance & Resources**	
Contact Officer:	**Name:**	**Mark Dallen**	**Tel: 29-1314**
	Email:	**Mark.Dallen@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 At Audit and Standards Committee on 23 July 2019, Members requested that Internal Audit carry out a high level desk top review into the decisions surrounding the recent home to school transport procurement. The issues raised refer back to the October 2018 Policy Resources & Growth (PRG) Committee and a subsequent decision by the service to adopt a Dynamic Purchasing System (DPS). The audit report is attached as Annex 1 and a copy of the original letter from Cllrs. Lee Wares and Mary Mears as Annex 2.

2. RECOMMENDATIONS

2.1 Members are asked to note the report and consider any further action required in response to the issues raised.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 This review is an addition to the approved Internal Audit Plan for 2019/20.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The audit review has concluded that the approval of a DPS for the procurement of home to school transport was in accordance with existing Council procedures and delegations.

4.2 Other findings and conclusions from the audit review are included in the attached report, Annex 1.

5.. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None.

6. CONCLUSION

6.1 The Committee is asked to note the report.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 *There are no direct financial implications arising from the noting of this report. There is one agreed management action within the report relating to public liability insurance which could potentially lead to additional costs. These are not expected to be significant and would need to be met from within existing budgets.*

Finance Officer Consulted: Jeff Coates *Date: 03/09/19*

Legal Implications:

7.2 There are no legal implications arising from the report which is to note. The legal issues arising during the procurement process are addressed in the Audit report attached as Appendix 1.

Lawyer Consulted: Elizabeth Culbert *Date: 02/092019*

Equalities Implications:

7.3 There are no direct equalities implications.

Sustainability Implications:

7.4 There are no direct sustainability implications.

SUPPORTING DOCUMENTATION

Annexes:

1. Internal Audit Report – Home to School Transport (Procurement Issue)

Documents in Members' Rooms

1. None

Background Documents

1. Internal Audit Strategy and Annual Audit Plan 2019/20.

Internal Audit Report

Home to School Transport (Procurement Issue)

Final Report

Assignment Lead: Carolyn Sheehan, Principal Auditor
Assignment Manager: Mark Dallen, Audit Manager
Prepared for: Brighton & Hove City Council
Date: 2 September 2019

Report Distribution List

- Geoff Raw, Chief Executive
- Pinaki Ghoshal, Executive Director Families Children & Learning
- David Kuenssberg, Executive Director Finance and Resources
- Abraham Ghebre-Ghiorghis, Executive Lead Officer - Strategy Governance & Law
- Cliff Youngman, Head of Procurement
- Richard Barker, Head of School Organisation
- Isabella Sidoli, Senior Lawyer

This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Chief Internal Auditor.

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1. Introduction

1.1. Home to school transport is provided by the Council to pupils with special educational needs and includes other hired transport for vulnerable children and adults.

1.2. The service was overspent by £210k in 2018/19 and was predicted to be overspent by £330k in 2019/20.

1.3. In October 2018, the Policy Resources & Growth (PRG) Committee agreed to re-procure home to school transport services for September 2019, with a 4 year contract worth in the region of £12m, or £3m per annum.

1.4. One of the options under consideration, as a method of procurement, was a Dynamic Purchasing System (DPS), which had been favoured by the Procurement Advisory Board. A DPS is a completely electronic system used by a contracting authority to purchase goods, works or services. Unlike a traditional framework agreement, suppliers can apply to join at any time. However, at the time of this PRG meeting, the committee report stated officers were concerned that a DPS required "additional administration from Council staff which is not currently factored in to roles and responsibilities and initial soft market testing did not produce significant savings on potential journeys that would be awarded under a DPS".

1.5. Delegated authority was therefore granted to the Executive Director for Families, Children & Learning to carry out procurement and award of the contract for four years from September 2019, including the award and letting of a framework agreement. The decision as recorded was,

"That the Committee –

> (i) Approved the procurement of a contract for home to school transport for pupils with special educational needs and other transport for vulnerable children and adults on behalf of social care teams, for a term of four years from 1 September 2019 to 31 August 2023;
>
> (ii) Granted delegated authority to the Executive Director of Families, Children & Learning to carry out the procurement and award of the contract referred to in Paragraph 2.1 above including the award and letting of the framework agreement".

1.6. After the decision at the October 2018 PRG meeting, further consideration of budget pressures meant a review was undertaken of the social care costs which included the home to school transport services. This resulted in consultants reintroducing a DPS as one of the solutions to deliver savings.

1.7. Consequently, additional approval was provided for use of a DPS process as the key procurement process. Authority was provided by the use of urgency powers by the Executive Director of Finance Children and Learning after receiving advice from a Senior Lawyer in Legal Services.

1.8. This desk top review was requested by Councillors at the July 2019 Audit & Standards Committee, following the receipt of a letter presented by Cllr. Lee Wares, setting out a number of concerns about the re-procurement process.

1.9. It is an additional review to the agreed internal audit plan for 2019/20.

2. Scope

2.1. The purpose of the review was:

- To determine whether the decision to adopt a DPS for home to school transport and the appointment of consultants was properly approved in accordance with Council procedures and delegations.
- Ascertain if any decision had been made to bring the service in-house, and if so whether there have been any breaches of Council procedures.
- Determine if a business case had been prepared that supports the implementation of a DPS.
- Ascertain if the service delivery criteria for suppliers to be included in the DPS was set in accordance with Council Policy regarding licensed carriers and safeguarding of vulnerable children or adults.

3. Management Summary

Approval of Decision to Use a DPS

3.1. After the October 2018 PRG Committee meeting, the Executive Director of Families, Children and Learning made the decision that additional review of the service was required in order to help deliver the level of savings necessary. This review was carried out by an external consultant, who recommended within their report that the use of a DPS would offer a better procurement solution. The net savings were estimated between 12 to 14% over the four year contract.

3.2. The Executive Director FCL considered whether he had the necessary powers to approve the change in the procurement route to a DPS and therefore consulted with Legal Services. The Director of FCL was advised that this was as a technical change to the procurement process rather than a change to the decision to tender the contracts. In addition, it was highlighted that if an additional PRG Committee were held, this would have coincided with local and European elections and the purdah period. Ultimately these considerations concluded with a Senior Lawyer advising the Executive Director of FCL that it would be appropriate to use urgency powers to make sure that the decision to change the procurement route was properly documented and authorised. We are therefore satisfied that this decision process was in accordance with existing Council procedures and delegations.

3.3. The engagement of the consultants, for the initial review of social care transport and to help implement a DPS were compliant with Council procedures and Contract Standing Orders. The consultant was engaged through a framework agreement for professional services, using the delegated authority of the Executive Director of Children's, Families and Learning.

3.4. We have identified that a DPS is widely used by other Councils to purchase transport services for adults and children. This includes both of the Council's Orbis partners (East Sussex and Surrey County Councils).

3.5. The appointed consultant has provided data to support their claim that savings could be made to this service through use of a DPS, despite the initial set up costs. It was also the preferred option of the Council's Procurement Advisory Board in June 2018.

3.6. Since the launch of the DPS in June 2019, 17 suppliers have successfully met the criteria and have been able to bid for routes. This is more than double the number previously contracted but also includes some suppliers who were on the previous framework. It was explained during this review that the increase in potential suppliers reduces the risk of one supplier dominating the market and increases service resilience if a supplier ceases trading.

<u>Insourcing of the Service</u>

3.7. Whilst we have been told that officers have been asked by Members to consider and report on the options for bringing elements of this service in house, we have not seen evidence to indicate that any detailed plan, or decision, relating to this has been made at the current time. Internal Audit is not aware of any breach of Council procedures.

3.8. One of the changes in the process has meant that the lots are offered by route. They were previously offered by destination. As a consequence a small part of the service (route planning) is now completed in-house by the service, instead of by the supplier.

<u>Business Case for the Implementation of a DPS</u>

3.9. There is no separate business case to support the DPS procurement option. However, a briefing report for Members and a presentation prepared for the Executive Leadership Team in March 2019 contains the key elements of a business case.

3.10. Council arrangements only require a formal business case if additional funding is required or the plans have financial implications for other directorates, in which case these are presented to the Modernisation Board. In this case, no additional funds are being requested as all set up costs are covered within the existing budget. As a consequence a formal business case was not required.

<u>Service Delivery Criteria</u>

3.11. A review of the criteria that suppliers have to meet in order to be accepted for contracts via the DPS indicates that there is no reduction from the previous contracts agreed through the framework. All relevant checks have to be in place for drivers, assistants and vehicles, including abiding by the blue book (relevant to taxi licensing in Brighton and Hove). It is understood that checks will take place to ensure suppliers are compliant with the terms of the contract.

<u>Other Findings</u>

3.12. The current DPS arrangements include a requirement for public liability insurance of up to £5m to be in place. An increase in this to £10m would bring these contracts in line with other contracts with external suppliers and comply with recent guidance from the Council's Insurance Team.

4. Action Summary

Risk Priority	Definition	No	Ref
High	Major control weakness requiring immediate implementation		
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	1	1
Low	Represents good practice but its implementation is not fundamental to internal control		
	Total number of agreed actions	1	

4.1. As part of our quarterly progress reports to Audit Committee we track and report progress made in implementing all high priority actions agreed. Medium and low priority actions will be monitored and re-assessed by Internal Audit at the next audit review or through random sample checks.

5. Acknowledgements

5.1. We would like to thank all staff that provided assistance during the course of this audit.

Ref	Finding	Potential Risk Implication	Priority	Agreed Action
1	**Public Liability Insurance** Suppliers on the Dynamic Purchasing System are required to have public liability insurance of £5m. This is the same amount as set on the previous framework agreement. However, the insurance team have advised that standard public liability insurance requested for external suppliers should be increased to £10m.	Where suppliers to the Council do not have sufficient public liability insurance, it is more likely that the Council could become liable where a claim is in excess of the suppliers insurance cover.	Medium	To ascertain what level of existing public liability cover the suppliers accepted onto the DPS have and review the ability to amend the current Schedule 2 – Service Specification at the earliest opportunity to reflect the standard public liability insurance expected.
Responsible Officer:		Richard Barker, Head of School Organisation	**Target Implementation Date:**	30th November 2019

Appendix A

Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Geoff Raw – Chief Executive
Brighton & Hove City Council

2nd July 2019

Dear Geoff

We are submitting this letter under Council Procedure Rule 23.3 to be included on the agenda for the Audit and Standards Committee meeting of 23rd July 2019.

We respectfully request that Audit and Standards Committee commission an Audit report for consideration by the Audit and Standards Committee or such other relevant Committee regarding matters relating to the proposed transport contract for children with special educational needs and disabilities and vulnerable adults.

Our primary reasons for this request include, but are not limited to, the following: -

1. Policy, Resources and Growth Committee (PR&G) authorised the procurement of a transport framework on 11 October 2018 that despite the Procurement Advisory Board (PAB) expressing a desire for a Dynamic Purchasing System (DPS), the report recommended against a DPS. A DPS is now been adopted.
2. The adoption of a DPS, including the appointment and retention of external consultants to deliver a DPS are contrary to the decision of PR&G but were progressed utilising Urgency powers following agreement of the Leader of the Council and the Chair of Children, Young People and Skills Committee (CYP&S). No attempt was made to convene a Special PR&G Committee or an Urgency Sub-Committee.
3. Despite several requests for the financial details supporting a Business Case that presumably exists to justify a DPS, little has been provided and despite requests for details on the procurement process and contract award of the external consultants, none has been provided.
4. In several email exchanges between the Undersigned and Officers, rather than concerns being allayed, more questions, discrepancies and issues have arisen or remain outstanding. All emails would obviously be made available to Audit officers.

From recent emails we remain concerned of several matters. Firstly, there appears to have been no attempt to follow the proper procedure to obtain Member approval of a proposal that otherwise should have gone to Committee for consideration. Consequently, there are concerns, issues and matters for public record that are not contained on any public record save for emails that might otherwise be subject to Freedom of Information requests.

Secondly, there appears to be discrepancies in advice being offered such as compliance with standards and an apparent lack of dialogue with other departments in the formation of standards and contract conditions.

Thirdly, there has been no business case put forward justifying the adoption of a DPS or any financial, procurement or contract detail, despite requests for it, relating to the appointment of external consultants to deliver a DPS contrary to the recommendations of PR&G. Whereas delegated authority was given to officers by PR&G to procure a contract, that was in respect to a framework contract and not a DPS; pursuing a DPS and the appointment of consultants to deliver it, appears ultra vires.

Fourthly, from comments made at various Committees such as Licensing, it appears that consideration is being given to bringing transport services in-house. It appears that by adopting a DPS such fundamental change to the way the service could be delivered may be possible. A change to bring such services in-house should be subject to proper Committee reports and debate and not an extension of utilising Urgency powers.

Fifth, by committing to change from the agreed transport framework to a DPS it appears there are now previously avoidable risks to the proper delivery of the service that will negatively impact children with special educational needs and disabilities and vulnerable adults.

As the Committee charged with overseeing compliance with the code of Corporate Governance, a key aspect of which includes appropriate adherence to the constitutional decision-making processes, we would urge the Committee to commission this report so that it can either satisfy itself that everything is being done properly or that any shortcomings are addressed.

Yours sincerely

Cllrs. Lee Wares and Mary Mears

AUDIT & STANDARDS COMMITTEE	Agenda Item 29 Brighton & Hove City Council

Subject:		**WHISTLEBLOWING POLICY**
Date of Meeting:		**17 September 2019**
Report of:		**Monitoring Officer**
Contact Officer:	**Name:**	**Abraham Ghebre-Ghiorghis Tel: 01273 291500**
	Email:	**Abraham.ghebre-ghiorghis@brighton-hove.gov.uk**
Ward(s) affected:		**(All Wards);**

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The purpose of this report is to update the committee on the how the Council's whistleblowing policy is working in practice and suggest some changes.

2. RECOMMENDATIONS:

2.1 That the committee notes the information on the current arrangements for dealing with whistleblowing.

2.2 That Members agree the changes proposed in paragraph 3.7 to enable Members to use the whistleblowing policy and those proposed in paragraph 3.8 to include allegations of discrimination related to protected characteristics within scope of the whistleblowing policy.

2.3 That the Monitoring Officer be authorised to reissue the policy with the changes mentioned above.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 The Council has been operating a whistleblowing policy since its creation in 1997. The policy was reviewed periodically, the last review taking place in 2017. The current policy is attached in Appendix 1.

3.2 There are multiple channels for receiving whistleblowing allegations. The policy includes a guarantee of anonymity if the person requests it. This is respected unless there is a legal obligation to disclose the information, which may be the case, for example, in, cases involving safeguarding or terrorism where we may have to notify the police. Depending on the nature of the subject, it is usually dealt with by HR under our disciplinary procedures or referred to Internal Audit for investigation or to the service manager. In serious cases suggesting criminality, the matter may be referred to the police.

3.3 The arrangements are monitored and overseen by the Executive Lead Officer for Strategy, Governance & Law, who keeps the central register of whistleblowing allegations. All cases are reviewed at least every quarter a review panel that meets every quarter. The Panel consists of the Monitoring Officer, the Head of HR and Organisational Development and by the Internal Audit Manager.

3.4 A publicity campaign is undertaken periodically to raise awareness of the policy. This includes information on the council's website about whistleblowing, messages in employees' pay-slips and blogs by Directors. More work is planned over the coming weeks with the Council's Communications Team

3.5 The number of whistleblowing cases received over the last 6 years has been as follows:

2014/15	8
2015/16	22
2016/17	10
2017/18	11
2018/19	8
2019/20 (2 quarters)	4

3.6 It should be noted that the system records only cases that are registered in the central register. Many cases of whistleblowing are dealt with as business as usual and the manger dealing with it may not necessarily recognise or register the case as whistleblowing. The figures are therefore likely to understate the number of whistleblowing cases.

3.7 The issues raised so far included allegations of fraud (e.g. overcharging by contractors,) nepotism, bullying and harassment and discrimination. Some of the allegations were vexatious, some revealed serious cases of potential criminality and were referred to the police. The overwhelming majority of cases are dealt with by the service manager with the support of HR as necessary. The whistleblower is kept informed of progress and notified of the outcome. Many of whistleblowing cases received are anonymous delivered by post, which means we are unable to make contact with the whistleblower.

3.8 Although the current whistleblowing policy refers to employees, contractors and members of the public as coming within the scope of the policy, it does not mention Members of the Council. A recent Internal Audit review recommended that they should be added to the category of persons mentioned in the policy. Although not mentioning them would not, in itself, preclude Members from using the policy, it would be useful to expressly include them within the scope of the policy and make sure they are aware that this facility exists.

3.9 A second recommendation came from the review of the implementation of the Global HPO report on race equalities within the workforce. The officer body overseeing the work recommended that, where employees face or witness cases of racial discrimination or harassment, rather than being limited to using the HR disciplinary or grievance procedures, they should have the option of using the whistleblowing policy. This would, for example, enable them to raise issues anonymously. It is recommended that this is agreed but, rather than limiting it to cases of racial discrimination, it be expanded to include discrimination or harassment based on, or related to, the victim's protected characteristics.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The Council has the option of keeping the policy as it is, but we would miss the opportunity to improve the policy.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 There has been no specific consultation with residents on this matter. Colleagues in HR and Internal Audit were engaged (the proposed changes came from those services.)

6. CONCLUSION

6.1 The whistleblowing policy has been useful in bringing to the Council's attention a variety of cases, which have been dealt with effectively. There is however more work needed to raise awareness of the policy and the proposed changes will help by extending the policy to Members and including cases of discrimination within the workforce within the ambit of the policy.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 There are no financial implications arising from the report. Any work resulting from the changes to the policy can be dealt within existing resources.

Finance Officer Consulted: Peter Francis Date: 09/09/2019

Legal Implications:

7.3 The proposals will assist the Council in complying with its duty under the Equality Act and in tackling unlawful behaviour.

Lawyer Consulted: Abraham Ghebre-Ghiorghis Date: 21/08/19

Equalities and Sustainability Implications

7.4 The proposals will help the Council in complying with its equalities duties by making it easier for employees to raise issues of discrimination. There are no adverse sustainability implications arising from the report.

Brighton & Hove City Council

Appendix 1

Whistleblowing Policy - (Raising Concerns in the Public Interest)

A Confidential Reporting Policy for All Members of Staff and the General Public

1. Introduction

1.1 Brighton & Hove City Council is committed to the highest standards of openness, honesty, integrity and accountability for the services it provides. However, the Council recognises that there is always the risk that things can go wrong. Therefore, the Council is keen to encourage those working for the Council and members of the community to express their concerns when they think that there may be something seriously wrong regarding the activities of the Council. This gives the Council the opportunity to stop any unethical or unprofessional practices or wrongdoing within the organisation.

1.2 The Council recognises that for individuals to come forward, they must have confidence that their concerns will be listened to and that the Council will take prompt action to investigate and deal with concerns appropriately.

1.3 This Policy sets out how concerns about serious wrongdoing by the Council can be raised and how the Council will respond to these.

1.4 This Policy is an integral part of, and should be read in the context of, the Council's corporate values, which are:

Respect: Embrace diversity with kindness and consideration and recognise the value of everyone

Collaboration: Work together and contribute to the creation of helpful and successful teams and partnerships across the Council and beyond

Efficiency**:** Work in a way that makes the best and most sustainable use of our resources, always looking at alternative ways of doing things

Openness*:* Share and communicate with honesty about our service and ourselves, whenever appropriate. Accept where we have to change in order to improve

Creativity*:* Have ideas that challenge the 'tried and tested', use evidence of what works, listen to feedback and come up with different solutions

Customer Focus*:* Adopt our Customer Promise for colleagues, partners, members and citizens. Our Customer Promiser is that we will be easy to reach, be clear and treat you with respect, listen and act to get things done

1.5 This Policy incorporates the provisions that are required from the Public Interest Disclosure Act 1998 (as amended by the Enterprise & Regulatory Reform Act

2013), which protects members of staff against detrimental treatment or dismissal for disclosing normally confidential information because they reasonably believe it is in the public interest to do so. This is known as a “qualifying disclosure”.

2 Benefits of this policy

2.1 This Policy aims to:

- encourage and enable you to feel confident in raising concerns and to question and act upon any concerns;
- provide avenues for you to raise concerns;
- ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied with the action taken;
- reassure members of staff that they will be protected from repercussions when raising genuine concerns;
- ensure that all those working for, or on behalf of, the Council are aware that they must not treat individual(s) detrimentally because they have made a “qualifying disclosure” under the Act.

3 Scope

3.1 The types of concern covered by the Policy include:

- conduct which is an offence or a breach of law
- disclosures relating to miscarriages of justice
- individual(s) covering up wrongdoing
- health and safety risks, including risks to the public as well as other employees
- damage to the environment
- the unauthorised use of Council funds
- action that is contrary to the Council’s financial procedures or contract regulations
- possible fraud, corruption or financial irregularity
- practice which falls below established standards or practice
- sexual or physical abuse of clients
- other unethical conduct

3.2 This Policy and its associated procedures is not intended to replace any existing Council procedures that would be more appropriate for dealing with any concern raised under this Policy.

<u>Members of staff</u>

If your concern relates to how you have been personally treated at work as an employee under your contract of employment, you should raise it under the existing Grievance Procedure. If your concern relates to bullying or harassment, the Council will respond to such concerns under the Council’s Disciplinary Procedure.

Members of the Public

If you have a concern or complaint about Council services provided to you, you should raise this using the Council's Complaints Procedure.

4 Who can raise a concern under this Policy

4.1 This Policy applies to all:

- employees of the Council (excluding schools – see 4.2 below)
- casual, agency workers and apprentices working for the Council
- contractors and employees of contractors working for the Council
- self-employed consultants working for the Council
- members of the public

4.2 If you are employed in, working with, assisting or based in a Brighton and Hove maintained school, you should raise your concern directly with the school using their Whistleblowing Policy. If you feel unable to raise your concern directly with the School, you may contact a person mentioned in 6.2. However, you should set out why you feel unable to contact the school directly.

5 Supporting you to raise a concern

5.1 **Confidentiality:**

We hope that you will feel able to voice whistleblowing concerns openly under this Policy. However, if you want to raise your concerns confidentially, we will make every effort to keep your identity secret. If the situation arises where we are not able to resolve the concern without revealing your identity (for instance because your evidence is needed in court), we will discuss with you whether and how we can proceed.

5.2 **Staff Raising Genuine Concerns:**

The Council aims to encourage openness and will support staff who raise genuine concerns under this Policy, even if they turn out to be mistaken.

Staff who raise genuine concerns under this Policy with a reasonable belief that it is true must not suffer any detrimental treatment as a result of raising the concern.

Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern.

Staff and those working for the Council must not threaten or retaliate against a person who raises a concern under this Policy. If you believe that you have suffered any such treatment, you should inform the Head of Human Resources & Organisational Development immediately. If the matter is not remedied, you should raise it formally using the Council's Grievance Procedure.

5.3 **Staff Raising Malicious Allegations:**

However, the Council cannot give such assurances and you may be subject to disciplinary action if you raise a concern maliciously or the information you have used to trigger a concern has been obtained unlawfully, for example:

- legal requirements have not been followed, e.g. the Data Protection Act has been breached or
- through unauthorised access to records, e.g. computer hacking.

6 How to raise a concern

Points of contact

6.1 As soon as you become reasonably concerned, we hope you will feel able to raise it. The earlier you raise your concern, the easier it is to take action. A flowchart showing the process for raising concerns can be found in Appendix 1.

6.2 Members of Staff

If you are an employee you should normally raise concerns with your line manager. Similarly, non-employees (e.g. agency workers, contractors, consultants) should raise a concern in the first instance with their contact within the Council, usually the person to whom they directly report.

If you are a member of staff and you want to raise the matter with someone other than your immediate manager, for whatever reason, please raise the matter with:

- Your Head of Service
- Alison McManamon, Head of Human Resources & Organisational Development - ext. 0511
- Mark Dallen, Principal Audit Manager - ext.1314
- David Kuenssberg, Executive Director of Finance & Resources ext.1333 or
- Abraham Ghebre-Ghiorghis, Executive Lead Officer Strategy, Governance & Law - ext.1500

These people will also be able to advise on confidentiality and further action required.

If these channels have been followed but you still have concerns or if you feel that the matter is so serious that you cannot discuss it with any of the above, you may as a last resort contact:

Chief Executive – tel. 01273 291132

6.3 Members of the Public

If you are a member of the public you can raise concerns with:

- Mark Dallen, Principal Audit Manager - email: mark.dallen@brighton-hove.gcsx.gov.uk, tel. 01273 291314

or

- Abraham Ghebre-Ghiorghis, Executive Lead Officer Strategy, Governance & Law - email: abraham.ghebre-ghiorghis@brighton-hove.gcsx.gov.uk, tel. 01273 291500.

If these channels have been followed but you still have concerns or if you feel that the matter is so serious that you cannot discuss it with any of the above, you may contact:

Chief Executive – tel. 01273 291132

The Procedure

6.4 You may raise your concern orally or in writing. We advise that you make it clear that you are raising your concerns under the Council's whistleblowing arrangements.

6.5 You are also encouraged to put your name to any concern you raise as this will make it easier for the Council to investigate the issue. Please also say if you want to raise the matter in confidence so that the person you contact can make appropriate arrangements.

6.6 To enable your concern to be dealt with properly and effectively you will need to provide the following information and to be as clear as possible about:

- what the concern is and to whom it relates
- the background and history of the concern (giving relevant dates)
- the reason why you are particularly concerned about the situation and why you believe it to be true.

6.7 When raising a concern you are not expected to prove the truth of an allegation, however, you will need to demonstrate to the person you contact that there are sufficient grounds for the concern.

6.8 If you are a member of staff you may invite your trade union representative or a colleague who works for the Council to assist or accompany you. Similarly, if you are a member of the public you may be supported by a colleague or friend. Your companion must respect the confidentiality of your disclosure and any subsequent investigation.

7 How the Council will respond

7.1 Once a concern is raised, the Council will respond to your concern as quickly as possible. The appropriate Council manager/officer will make initial enquiries, taking advice from the Head of Human Resources & Organisational Development if necessary, to help decide if an investigation is appropriate and if so, what form it should take.

7.2 The Council manager/officer receiving the concern will ensure the Executive Lead Officer Strategy, Governance & Law, as the City Council's Monitoring Officer, is provided with sufficient details to be aware of the concern raised.

7.3 Where appropriate, the matters raised may:

- be investigated by management, internal audit, the Monitoring Officer or through the disciplinary process;
- be referred to the Police;
- be referred to the external auditor or form the subject of an independent inquiry

Within 10 working days of a concern being raised, the person handling the matter will write to you acknowledging that the concern has been received, indicating how, as far as possible, it will be dealt with and, if you are a Council member of staff, the support mechanisms available to you. You will be kept informed of progress and will receive a full and final response, subject to any legal constraints.

7.4 When you raise the concern(s) you may be asked how you think the matter might best be resolved. If you have any personal interest in the matter, we ask that you tell us this at the outset. If your concerns would be more appropriately dealt with under another policy of the City Council (for example, the Complaints Procedure, Anti-Fraud & Corruption Strategy or Grievance Procedure) we will tell you.

7.5 While the purpose of this policy is to enable us to investigate possible malpractice and take appropriate steps to deal with it, we will give you as much feedback as we properly can.

7.6 Concerns or allegations that fall within the scope of specific procedures (for example child protection) will normally be referred for consideration under the relevant procedure. Some concerns may be resolved by agreeing action with you without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.

7.7 The Council will take all reasonable steps to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are asked to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive appropriate advice and support.

8 How your concern can be taken further

8.1 This Policy is intended to provide you with an avenue to raise concerns with the Council. The Council hopes that you will be satisfied with the way your concerns are treated and any investigations that may be carried out.

However, if you are not, and feel it is right to take the matter outside the Council, please find below a list of possible contact points. If you are a member of staff, the Monitoring Officer or the Head of Human Resources & Organisational Development can provide advice as to the other options.

The following are examples of some of the possible contact points:

- the Council's External Auditors: Ernst & Young LLP are the Council's External Auditors. The address is: Ernst & Young LLP Apex Plaza, 4 Forbury Road, Reading, BG1 1YE. Telephone number 0118 9281556
- relevant professional bodies or regulatory organisations. A list of regulatory bodies can be found in Appendix 2
- your trade union (if you are a member of staff)
- a solicitor
- the Police

8.2 If you are a member of staff, the law recognises that in some circumstances it may be appropriate for you to report your concerns to an external body. It will very rarely if ever be appropriate to alert the media. We strongly encourage you to seek advice before reporting a concern to anyone external. If you would like independent advice at any stage, you can contact the independent charity Public Concern at Work www.whistleblowing.org.uk on 020 7404 6609. They should be able to give you free and confidential advice about how to raise a concern about serious malpractice at work.

9 The Responsible Officer

The Council's Monitoring Officer has overall responsibility for the maintenance and operation of this Policy.

10 Corporate recording, monitoring and reviewing

10.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this Policy and for ensuring it is reviewed annually by involving key stakeholders in the process.

10.2 A corporate register of all concerns and the outcomes that are brought to the attention of the Monitoring Officer (in a form which respects your confidentiality) will be maintained by him. All officers designated to look into a concern must ensure that the Monitoring Officer is provided with sufficient details for the corporate register.

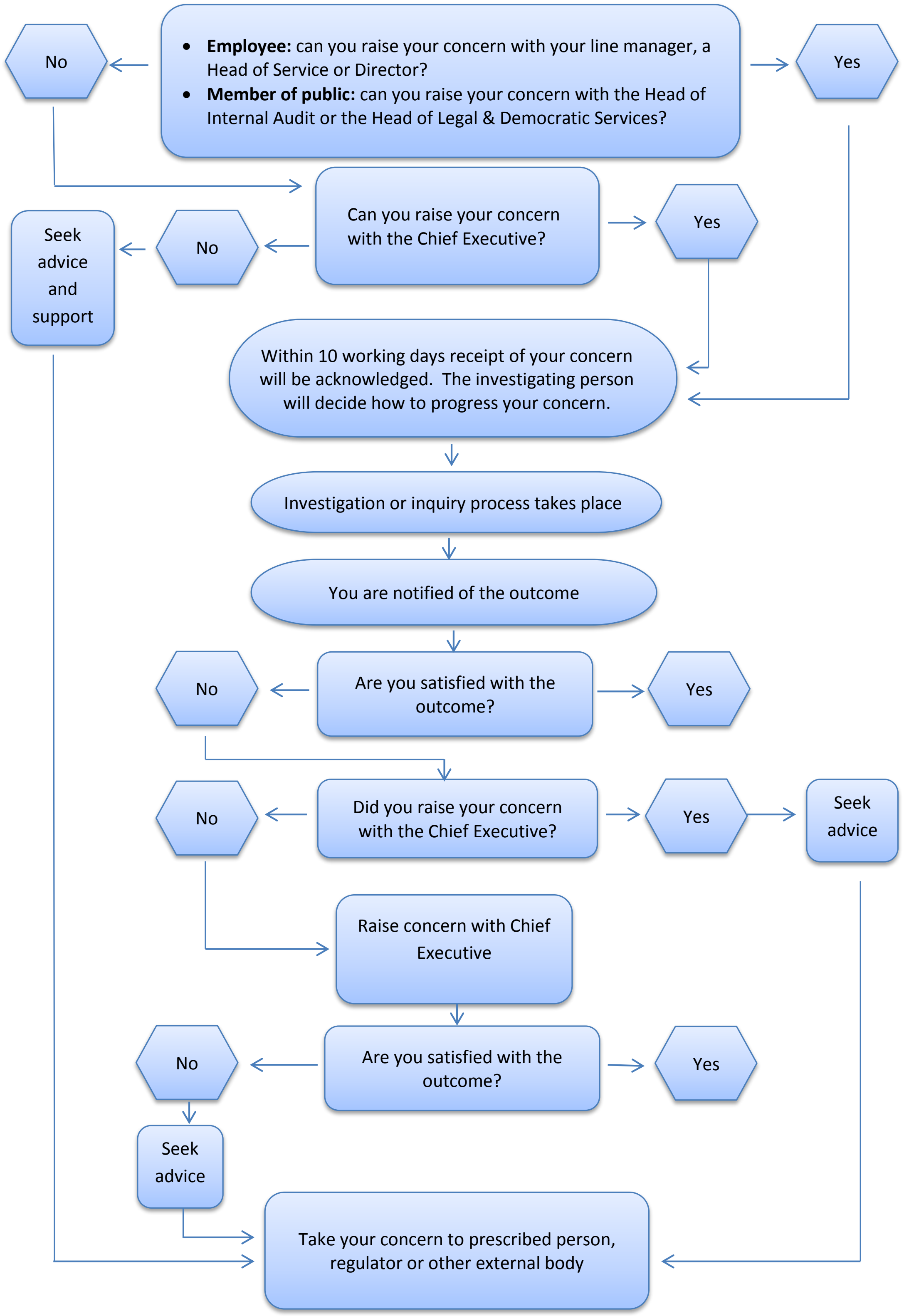
10.3 The Monitoring Officer will review the corporate register and will report annually to the Council's Audit and Standards Committee on the use of the Policy and concerns raised during the period covered by the report. The report will not identify any person raising concerns under this Policy.

11 If you are dissatisfied

11.1 If you are unhappy with our response, remember you can go to the other levels and bodies detailed in this Policy.

11.2 While we cannot guarantee that we will respond to all matters in the way that you might wish, we will try to handle the matter fairly and properly.

You have a concern that you would like to raise - refer to the Council's whistleblowing policy



Please note that reference above to the:
Head of Internal Audit should read Principal Audit Manager
Head of Legal & Democratic Services should read Executive Lead Officer Strategy, Governance & Law

Appendix 2

Regulatory and Professional and other External Organisations

Health & Safety and Environment Risks

Contact	Details
Environmental Agency	**Address:** Solent and South Downs Area Office, Guildbourne House, Chatsworth Road, Worthing, Sussex, BN11 1LD (South East regional office) **Tel:** 0370 8506506 **Web:** www.environment-agency.gov.uk
Health & Safety Executive	**Address:** Priestley House, Priestley Road, Basingstoke, Hampshire RG24 9NW (regional office) **Tel:** 0845 345 0055 **Web:** www.hse.gov.uk
Food Standards Agency	**Address**: Aviation House, London WC2B 6NH **Tel:** 020 7272 8829 **Web**: www.food.gov.uk

Consumer Rights

Contact	Details
The Serious Fraud Office	**Address:** 2-4 Cockspur Street, London SW1Y 5BS **Tel:** 020 7239 7272 **Web:** sfo.gsi.gov.uk

Data Protection and Freedom of Information

Contact	Details
Information Commissioner's Office	**Address:** Wycliffe House, Water Lane, Wilmslow Cheshire SK9 5AF **Tel:** 0303 123 1113 **Web**: www.ico.gov.uk

Healthcare and Social Services

Contact	Details
Care Quality Commission	**Address:** 2nd Floor, Ridgewort House, Worthing, West Sussex BN11 1RY **Tel**: 03000 616161 **Web**: www.cqc.org.uk
Health and Care Professions Council	**Address:** 184 Kennington Park Road, London SE11 4BU **Tel:** 0845 3006184 **Web:** www.hpc-uk.org
The National Society for the Prevention of Cruelty to Children (NSPCC)	**Address:** Gillingham Service Centre & Regional Office**,** Pear Tree House, 68 West Street, Gillingham, Kent ME7 1EF **Tel:** 020 7825 2500

	Web: www.nspcc.org.uk
Children's Commissioner	**Address:** Sanctuary Buildings, 20 Great Smith Street, London, SW1P 3BT **Tel:** 020 7783 8330 **Web:** www.childrenscommissioner.gov.uk
Health and Care Professions Council	**Address:** Park House, 184 Kennington Park Road, London, SE11 8BU **Tel:** 08453006184
Nursing and Midwifery Council (NWC)	**Address:** 23 Portland Place, London W1B 1PZ **Tel:** 020 7637 7181 **Web**: www.nmc-uk.org
General Medical Council (GMC)	**Address**: Fitness to Practise Directorate, 3 Hardman Street, Manchester, M3 3AW **Tel:** 0161 923 6602 **Web:** www.gmc-uk.org
Homes and Communities Agency	**Address:** Fry Building, 2 Marsham Street, London SW1P 4DF **Tel:** 0300 1234 500 **Web:** www.homesandcommunities.co.uk

Other Organisations

Contact	Details
The Local Government Ombudsman	**Address:** PO Box 4771, Coventry CV4 0EH **Tel:** 0300 061 0614 **Web:** www.lgo.org.uk
Commissioners for Her Majesty's Revenue & Customs (HMRC)	**Address:** HM Revenue and Customs, Freepost NAT22785, Cardiff, CF14 5GX **Tel:** 0800 788 887 **Web:** www.hmrc.gov.uk
Ofsted	**Address:** Piccadilly Gate, Store Street, Manchester M1 2WD **Tel:** 0300 123 1231 **Web:** www.ofsted.gov.uk
Pensions Regulator	**Address:** Napier House, Trafalgar Place Brighton BN1 4DW **Tel:** 0845 600 0760 **Web:** www.thepensionsregulator.gov.uk
Police	**Tel**: 101 **Emergency**: 999 **Web**: www.police.co.uk
Your Local Councillors	**Web**: www.brighton-hove.gov.uk