Brighton & Hove City Council

Statement of Accounts 2022/23

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Chief Finance Officer’s Narrative Report

Introduction
The 2022/23 financial year experienced continuing pressures across labour markets and rising price inflation. There was constantly high economic and visitor activity in the City. However, the council continues to face significant challenges financially in the short to medium term including the wider implications of the cost of living increase caused by high inflation.

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

Brighton & Hove City Council is a unitary, single tier authority with responsibility for a range of services including schools and education, social care, housing, libraries, waste collection and disposal, highways management, planning, licensing and public health. The council is run by locally elected members via a committee system (please see committees, council meeting and decision making). Operationally the council is managed by the officer Executive Leadership Team and structured into five directorates: Families, Children & Learning; Health & Adult Social Care; Economy, Environment & Culture; Housing, Neighbourhoods & Communities and Governance, People & Resources.

The council’s overarching strategy document is a Corporate Plan which covers 2020-23. This sets out the council’s six key policy objectives which are a city to call home, a city working for all, a stronger city, a growing and learning city, a sustainable city and a health and caring city.

The council has in place a robust framework of corporate performance indicators, progress against which are reported regularly to Policy & Resources committee.

The council’s 2022/23 Annual Governance Statement, an annual legally required review of internal controls and governance was reviewed and will be agreed by Audit & Standards Committee in June 2023.

2022/23 Budget Setting
While some aspects of the council’s finances are expected to recover in 2022/23, including fees & charges, rents and taxation, the financial impact of the pandemic is ongoing, which, together with estimated cost and demand pressures of over £12 million made 2022/23 a very challenging budget.

The 2022/23 budget included:

An increase of 2.99% on Council Tax which included a +1% Adult Social Care precept (the maximum allowed before a local referendum was required).

An estimated budget shortfall of £18 million.
Corporate Plan priority investments including over £13 million funding for cost pressures in priority, demand-led services.

A substantial capital investment programme of £224 million.

Maintenance of a working balance of a minimum £9 million.

The budget report 2022/23 and supporting documents was approved by February 2022 Council.

2022/23 Outturn

Revenue

The provisional outturn is a £3.0 million overspend on the General Fund and a balanced outturn on the Housing Revenue Account. A summary is set out below.

	Budget £m	Actual £m	Variance £m
Families, Children & Learning	103.0	105.8	2.8
Health & Adult Social Care	72.6	70.5	-2.1
Economy, Environment & Culture	31.6	31.7	0.1
Housing, Neighbourhoods & Communities	21.8	21.7	-0.1
Governance, People & Resources	33.6	33.3	-0.3
Corporately Held Budgets	-35.4	-32.7	2.6
Total	**227.2**	**230.2**	**3.0**

The provisional outturn of £3.0 million overspend includes an underspend of £0.562 million on the council's share of the NHS managed Section 75 services. This is due to the ongoing recovery of visitor activity during the last quarter which has significantly bolstered income streams across a wide range of areas including the Brighton Centre, registrars, parking fees and fines. There has also been further improvement across Adult Social Care including additional NHS income, and a number of improvements to corporate forecasts including a lower than anticipated Health & Safety Executive fine. The spending and vacancy controls in place across the council have also continued to contribute to an improved position across all areas.

Capital

A provisional outturn of £135.4 million with an underspend of £2.7 million. Details are set out in the next table.

	Budget £m	Actual £m	Variance £m
Families, Children & Learning	8.5	8.5	0.0
Health & Adult Social Care	0.5	0.5	0.0
Economy, Environment & Culture	47.2	46.7	-0.5
Housing, Neighbourhoods & Communities	5.9	5.4	-0.5
Housing Revenue Account	73.7	72.0	-1.7
Governance, People & Resources	2.2	2.2	0.0
Total	**138.0**	**135.4**	**-2.7**

There continues to be unusually high reprofiling of the original project budgets (£25 million of reprofiling and slippage into future years). This is a direct consequence as supply chain issues, impacts on consultation processes and many other impacts. Full details of capital financing are set out in **Note 11 Capital Investment and Capital Financing.** At 31 March 2023, the council had long term borrowing of £377 million (31 March 2022 £341 million). As previously stated, this is at the average total borrowing value for unitary authorities.

The 2022/23 outturn report was considered and approved by June 2023 Strategy, Finance and City Regeneration Committee.

Additional Government Funding
In previous years, the council received a significant amount of temporary additional government funding to support services and the local economy which is now reducing. Please see **Note 16 Grants and Contributions** and **Note 27 Agency Services**.

Cashflow Management
The council regularly reviews its cash flow requirements and approves an annual Treasury Management Policy and Strategy which sets parameters within which the council's cash balances and reserves will be invested. Please see Treasury Management Strategy 2022-23 (approved by Council in February 2022).

Budget Planning 2023/24 and Beyond
The council is operating within a challenging economic environment. The latest council medium term financial projections cover the 4 years to 2026/27 with considerable uncertainty surrounding inflation, funding and local economic recovery.

The funding available from government and local taxation is significantly short of the estimated inflationary pressures in 2023/24 which must not only provide for anticipated pay awards and price inflation in 2023/24 but must also provide for the excess inflation experienced this year (2022/23), which was not built into council budgets and for which no further government funding has been received. Total inflation and pay award costs next year will be over £28 million.

On top of inflation, the council also experiences increased demand for social care as well as other cost and income pressures that are expected to total a further £15 million. Total additional funding from government grant, Business Rates and Council Tax increases will be around £29 million therefore resulting in a budget gap of £14 million. This is in the context of government grant reductions of over £100 million in the previous decade.

Local government finances will remain under pressure for some years, particularly given the trends in demand growth over recent years and the outlook for national public finances. This means that potentially difficult decisions are required this year and next to be able to put the authority onto a sustainable financial footing for the future and to avoid exhausting reserves and balances.

Please see the full 2023/24 budget report approved by February 2023 Council meeting.

Explanation of Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2023. It comprises core and supplementary statements together with disclosure notes. The Statement of Accounts has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Board.

The four core statements are:

The **Comprehensive Income and Expenditure Statement (CIES)** which records the council's income and expenditure for the year. The top half of the statement provides an analysis by service area (operating segment). The bottom half of the statement deals with corporate transactions and funding.

The **Movement in Reserves Statement (MiRS)** is a summary of the changes to the council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific legal or accounting purposes.

The **Balance Sheet (BS)** is a "snapshot" of the council's assets, liabilities, cash balances and reserves at the year-end date.

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

The two supplementary financial statements are:

The **Housing Revenue Account (HRA)** – this separately identifies the council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

The **Collection Fund**, which summarises the collection and redistribution of council tax and business rates income for the Brighton and Hove area.

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

Further Information

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

Nigel Manvell CPFA
Chief Finance Officer

Independent Auditor's Report to the Members of Brighton & Hove City Council

To follow (on completion of the external audit).

Statement of Responsibilities

The Council’s Responsibilities

The council is required to**:**

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

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

(iii) approve the Statement of Accounts.

The S151 Chief Finance Officer Responsibilities

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

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

(i) selected suitable accounting policies and then applied them consistently
(ii) made judgements and estimates that were reasonable and prudent
(iii) complied with the local authority Code.

The S151 Chief Finance Officer has also**:**

(i) kept proper accounting records which were up to date
(ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2023 and its income and expenditure for the financial year ended 31 March 2023.

Nigel Manvell CPFA, Chief Finance Officer, Date:

Certification by Chair

I confirm that this Statement of Accounts was approved by the Audit & Standards Committee at a meeting held on to be confirmed.

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

Brighton & Hove City Council

Core Financial Statements 2022/23

Comprehensive Income and Expenditure Statement

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

	Year Ended 31 March 2023			Year Ended 31 March 2022		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Families, Children & Learning	366,651	(244,009)	**122,642**	354,602	(229,345)	**125,257**
Health & Adult Social Care	145,994	(68,725)	**77,269**	149,426	(71,949)	**77,477**
Economy, Environment & Culture	134,089	(78,044)	**56,044**	139,102	(71,920)	**67,182**
Housing, Neighbourhoods & Communities	61,509	(31,062)	**30,447**	65,003	(32,706)	**32,297**
Governance, People & Resources	38,080	(4,050)	**34,029**	39,292	(4,389)	**34,903**
Corporately-held Budgets	131,277	(112,187)	**19,089**	126,993	(121,968)	**5,025**
Housing Revenue Account	60,401	(64,602)	**(4,201)**	52,769	(60,775)	**(8,006)**
Cost of services	**938,001**	**(602,681)**	**335,321**	**927,188**	**(593,053)**	**334,135**
(Gain)/loss on the disposal of non-current assets			(4,518)			(129)
Precepts and levies			273			267
Payments to the government housing capital receipts pool			0			1,234
Non-current asset charges to academy schools			(433)			41
Other operating expenditure			**(4,679)**			**1,413**
Interest payable and premiums			18,900			17,475
Net interest on the net defined benefit pension liability			(9,226)			8,460
Interest receivable and similar income			(6,640)			(3,137)
Income and expenditure in relation to investment properties			(3,538)			(3,061)
Changes in the fair value of investment properties			1,526			3,747
Financing and investment income and expenditure			**1,022**			**23,484**
Council tax income (including share of (surplus)/deficit)			(162,174)			(155,975)
Share of non-domestic rates income (including share of (surplus)/deficit)			(52,871)			(42,692)
Non ring-fenced government grants			(63,191)			(83,043)
Capital grants and contributions			(36,499)			(34,605)
Taxation and non-specific grant Income and expenditure			**(314,735)**			**(316,315)**
(Surplus)/deficit on the Provision of Services			**16,929**			**42,718**
(Surplus)/deficit on revaluation of non-current assets			(64,386)			(56,314)
Remeasurements of the net defined benefit liability			(413,168)			(197,923)
Other comprehensive income and expenditure			**(477,553)**			**(254,237)**
Comprehensive income and expenditure (surplus)/deficit			**(460,625)**			**(211,520)**

Please note that the council has restructured in 2022/23 and the prior year directorate spend and income have been restated to reflect this so that the two years are comparable.

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in year on reserve balances held by the council.

2022/23	Balance 1 April	Total Comprehensive Income and Expenditure	Adjustments between accounting basis and funding basis under regulations	Net (increase)/decrease	Balance 31 March
	£'000	£'000	£'000	£'000	£'000
General Fund Reserves	**(82,261)**	30,675	14,605	**45,280**	**(36,981)**
Housing Revenue Account Reserves	**(13,104)**	(13,746)	14,544	**798**	**(12,307)**
Capital Receipts Reserve	**(24,193)**	0	7,984	**7,984**	**(16,209)**
Capital Grants Unapplied Reserve	**(3,465)**	0	(2,212)	**(2,212)**	**(5,677)**
Usable Reserves	**(123,023)**	**16,929**	**34,921**	**51,850**	**(71,173)**
Capital Adjustment Account	**(1,201,809)**	0	(35,885)	**(35,885)**	**(1,237,694)**
Revaluation Reserve	**(534,536)**	(64,386)	14,416	**(49,969)**	**(584,505)**
Deferred Capital Receipts Reserve	**(6,123)**	0	9	**9**	**(6,115)**
Pooled Investment Funds Adjustment Account	**495**	0	612	**612**	**1,107**
Accumulated Absences Account	**4,144**	0	727	**727**	**4,871**
Financial instruments Adjustment account	**9,635**	0	(260)	**(260)**	**9,375**
Collection Fund Adjustment Account	**23,106**	0	(20,693)	**(20,693)**	**2,413**
Pensions Reserve	**268,693**	(413,168)	6,153	**(407,015)**	**(138,322)**
Unusable Reserves	**(1,436,394)**	**(477,553)**	**(34,921)**	**(512,475)**	**(1,948,869)**
Total Reserves	**(1,559,417)**	**(460,625)**	**(0)**	**(460,625)**	**(2,020,042)**

2021/22	Balance 1 April	Total Comprehensive Income and Expenditure	Adjustments between accounting basis and funding basis under regulations	Net (increase)/decrease	Balance 31 March
	£'000	£'000	£'000	£'000	£'000
General Fund Reserves	**(100,615)**	54,191	(35,837)	**18,354**	**(82,261)**
Housing Revenue Account Reserves	**(13,040)**	(11,474)	11,409	**(64)**	**(13,104)**
Capital Receipts Reserve	**(28,885)**	0	4,693	**4,693**	**(24,193)**
Capital Grants Unapplied Reserve	**(4,758)**	0	1,293	**1,293**	**(3,465)**
Usable Reserves	**(147,299)**	**42,718**	**(18,442)**	**24,275**	**(123,023)**
Capital Adjustment Account	**(1,178,709)**	0	(23,099)	**(23,099)**	**(1,201,809)**
Revaluation Reserve	**(489,055)**	(56,314)	10,834	**(45,480)**	**(534,536)**
Deferred Capital Receipts Reserve	**(6,131)**	0	8	**8**	**(6,123)**
Pooled Investment Funds Adjustment Account	**37**	0	458	**458**	**495**
Accumulated Absences Account	**4,872**	0	(728)	**(728)**	**4,144**
Financial instruments Adjustment account	**9,767**	0	(131)	**(131)**	**9,635**
Collection Fund Adjustment Account	**42,299**	0	(19,193)	**(19,193)**	**23,106**
Pensions Reserve	**416,322**	(197,923)	50,294	**(147,629)**	**268,693**
Unusable Reserves	**(1,200,599)**	**(254,237)**	**18,442**	**(235,795)**	**(1,436,394)**
Total Reserves	**(1,347,897)**	**(211,520)**	**0**	**(211,520)**	**(1,559,417)**

Further details can be found in **Note 8 Usable Reserves** and **Note 9 Unusable Reserves**.

Balance Sheet

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

	Note	31 March 2023	31 March 2022
		£'000	£'000
Property, plant and equipment	10	1,957,354	1,847,099
Heritage assets	10	226,143	207,427
Investment property	10	56,357	58,062
Long term intangible assets	10	8,498	8,734
Long term investments		10,152	29,567
Long term debtors	13	41,412	48,680
Pension Scheme Assets	25	138,322	0
Long Term Assets		**2,438,238**	**2,199,570**
Short term investments		76,668	131,582
Inventories		877	1,052
Short term debtors	13	74,309	83,355
Cash equivalents		86,566	105,146
Short term assets held for sale	10	451	0
Current Assets		**238,870**	**321,135**
Bank overdraft		(1,917)	(2,319)
Short term borrowing		(25,637)	(24,816)
Short term creditors	14	(133,005)	(204,758)
Short term provisions	15	(1,546)	(2,612)
Current Liabilities		**(162,104)**	**(234,506)**
Long term provisions	15	(6,946)	(9,055)
Long term borrowing		(377,295)	(341,318)
Capital grant receipts in advance	16	(76,593)	(70,105)
Other long term liabilities	18	(34,130)	(37,612)
Pension Scheme Liabilities	25	0	(268,693)
Long Term Liabilities		**(494,963)**	**(726,782)**
Net Assets		**2,020,042**	**1,559,417**
Usable reserves	8	(71,173)	(123,023)
Unusable reserves	9	(1,948,869)	(1,436,394)
Total Reserves		**(2,020,042)**	**(1,559,417)**

More details of the values shown in the balance sheet can be found in the notes to the accounts. These financial statements replace the financial statements certified by the Chief Finance Officer (Section 151 Officer) on 30 June 2023.

Cash Flow Statement

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

	Per this working paper	Hardcoded
	2022/23 £'000	2021/22 £'000
Net Surplus or (Deficit) on the provision of services	**(16,929)**	**(42,718)**
Non-current asset charges - depreciation, amortisation, revaluation and impairment	48,328	52,465
Increase/(decrease) in creditors	(70,973)	61,230
(Increase)/decrease in debtors	(6,733)	4,860
Movement in the pension liability (element charged to the surplus/deficit on the provision of services)	6,153	50,294
Carrying amount of non-current asset disposals	3,153	10,217
Other non-cash items charged to the net surplus or deficit on the provision of services	66,985	3,040
Adjustment to surplus/(deficit) on the provision of services for non-cash movements	**46,913**	**182,106**
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,667)	(10,374)
Capital grants applied in-year	(40,812)	(38,443)
Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	**(48,479)**	**(48,817)**
Net Cash Flows from Operating Activities	**(18,495)**	**90,571**
Purchase of non-current assets (including the movement in capital creditors and debtors)	(104,443)	(110,480)
Purchase from sale of short and long term investments (net)	0	(68,579)
Proceeds from the disposal of non-current assets	7,674	10,383
Other receipts from investing activities	44,054	44,248
Net Cash Flows from Investing Activities	**(52,715)**	**(124,428)**
Cash receipts of short and long term borrowing	50,000	80,000
Billing authorities - council tax and non-domestic rates adjustments	19,655	18,969
Reduction of outstanding PFI Liabilities	(3,267)	(3,019)
Repayment of short term and long term borrowing	(13,356)	(5,438)
Net Cash Flows from Financing Activities	**53,032**	**90,512**
Net Increase/(Decrease) in Cash and Cash Equivalents	**(18,178)**	**56,655**
Bank current accounts	(2,319)	(1,922)
Short term deposits	105,146	48,094
Cash and Cash Equivalents as at 1 April	**102,827**	**46,172**
Bank current accounts	(1,917)	(2,319)
Short term deposits	86,566	105,146
Cash and Cash Equivalents as at 31 March	**84,649**	**102,827**
Movement in cash and cash equivalents	**(18,178)**	**56,655**

Notes to the Financial Statements

1. Accounting Policies (summary)

General Principles

The Accounts and Audit Regulations 2015 (SI 2015 No 234 as amended) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2022/23, these proper accounting practices principally comprise:

the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) supported by International Financial Reporting Standards (IFRS)

the Service Reporting Code of Practice 2022/23 (SeRCoP).

The Statement of Accounts has been prepared on a 'going concern' basis. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The **detailed accounting policies** are set out at the end of this document.

2. Accounting standards issued but not yet adopted

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

IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year) and where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.

Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

These are not expected to have any impact on the council's financial statements or disclosure notes. Please note that IFRS 16 Leases implementation (which will require authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities) has been deferred to 1 April 2024. The impact on the council's balance sheet will be net neutral (with lease assets matching lease liabilities).

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.

Critical judgements in applying accounting policies

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

Brighton & Hove Seaside Community Homes Ltd: The council has exercised judgement over the existence of a group relationship between the company and the council based on the definition of control and associated 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, its exposure or rights to variable returns and the ability to affect the company's returns. The council has concluded that the arrangement does not meet the IFRS10 definition for group accounting.

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 over the existence of group relationships between the companies and the council based on the definition of control and associated tests set out by IFRS10 Consolidated Financial Statements. The council has concluded that the arrangement does meet the definition under IFRS10 for group account purposes as the interest is not considered material at the balance sheet date and therefore group accounts have not been produced.

Coast to Capital Local Enterprise Partnership (C2C LEP): From 1 April 2021 to 31 March 2024 the council is the legally appointed accountable body for the C2C LEP. The council acts as an agent, holding LEP funds and releasing funds only as directed by the LEP board. It cannot use LEP funds for its own purposes. LEP financial transactions are therefore not reflected in the council's financial statements. At the 31 March 2023 the council held LEP funds as investments and cash equivalents of £14.734 million on its balance sheet offset by an equal and opposite short term creditor. This accounting treatment is consistent with that of other LEP accountable bodies. Please see also **Note 14 Creditors**.

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

Retirement Benefit Obligation: The estimation of the net pension liability depends upon complex judgements and estimates including discount rate used, rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Changes in these assumptions can have a significant effect on the value of the council's retirement benefit obligation. The council's net asset for future pension payments - estimated by the pension fund actuary - is £138.322 million 31 March 2023 (compared to a £268.693 million net liability in 31 March 2022).

More details are set out in **Note 25 Defined Benefit Pension Schemes**.

Impairment of Financial Assets: The council provides for the impairment of its receivables based on the age and type of each debt. The percentages applied reflect an assessment of the recoverability of debt. The total allowance for impairment of receivables (including the Collection Fund) was increased by £0.843 million in 2022/23 with a total allowance of £47.795 million 31 March 2023. The increased allowance is a real cost to the council.

Property, Plant and Equipment: Assets are depreciated over their estimated useful lives e dependent on assumptions such as the repairs and maintenance undertaken or not undertaken and the length of service potential of the asset. The council annually reviews its asset base and considers, for example, the current economic climate and local property value indices. The council depreciated its assets by £60.498 million during 2022/23. The net carrying amount of Property, Plant and Equipment was £1.957 billion on 31 March 2023. It is estimated that the annual depreciation charge for Property, Plant and Equipment would increase by c£10 million for one year's reduction in useful life. The property market remains uncertain in the context of a challenging UK economic environment. As an indication of the impact of market movements - a -1% reduction in house prices and land values or +1% yield increase would alter the investment property valuations by c£0.1 million and a -10% reduction would be c£6 million.

Fair Value Measurement: When fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (level 1 inputs), their fair value is measured using valuation techniques (quoted prices for similar assets or liabilities in active markets or valued using the Discounted Cash Flow model). Where possible, the inputs for these valuation techniques are based on observable data, but where this is not possible judgement is required. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used would affect the fair value of the council's assets and liabilities. Where Level 1 inputs are not available, the council employs relevant experts.

More details are set out in **Note 10 Non-Current Assets** and **Note 12 Financial Instruments**.

4. Events after the reporting period

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

5. Expenditure and funding analysis

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

	2022/23					2021/22				
	As reported for resource management	Adjustments to arrive at expenditure charged to GF and HRA balances	Expenditure chargeable to the GF and HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES	As reported for resource management	Adjustments to arrive at expenditure charged to GF and HRA balances	Expenditure chargeable to the GF and HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Families, Children & Learning	107,720	(186)	107,533	15,109	**122,642**	97,110	(1,706)	**95,404**	29,840	**125,244**
Health & Adult Social Care	70,480	4,411	74,891	2,378	**77,269**	63,403	8,799	**72,202**	5,552	**77,755**
Economy, Environment & Culture	31,676	1,984	33,660	23,081	**56,742**	30,640	809	**31,448**	35,747	**67,195**
Housing, Neighbourhoods & Communities	21,662	1,848	23,510	6,937	**30,447**	25,639	1,460	**27,099**	6,626	**33,725**
Governance, People & Resources	33,303	(4,625)	28,679	5,351	**34,029**	29,431	(3,777)	**25,654**	8,850	34,504
Corporately-held Budgets	(30,251)	49,272	19,021	69	**19,089**	(56,620)	61,354	**4,733**	(1,015)	**3,718**
Housing Revenue Account	0	9,627	9,627	(13,828)	**(4,201)**	(33)	4,089	**4,056**	(12,062)	**(8,006)**
Net Cost of Services	**234,590**	**62,331**	**296,921**	**39,097**	**336,018**	**189,570**	**71,027**	**260,597**	**73,538**	**334,135**
Other Income and Expenditure/Financing	(234,590)	(16,253)	(250,843)	(68,246)	**(319,089)**	(189,570)	(52,737)	**(242,307)**	(49,110)	**(291,417)**
(Surplus)/Deficit on Provision of Services	**0**	**46,078**	**46,078**	**(29,149)**	**16,929**	**0**	**18,290**	**18,290**	**24,428**	**42,718**

	2022/23				2021/22			
	Opening Balance	(Surplus)/Deficit on Provison of Services	Closing Balance	Memorandum: Transfer (to)/from working balances per resource management	Opening Balance	(Surplus)/Deficit on Provison of Services	Closing Balance	Memorandum: Transfer (to)/from working balances per resource management
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Working Balance	(14,509)	5,756	(8,753)	2,984	(19,088)	4,579	(14,509)	(2,949)
General Fund Earmarked Reserves	(67,752)	39,524	(28,228)		(81,527)	13,775	(67,752)	
Housing Revenue Account Working Balance	(7,380)	3,211	(4,169)	0	(8,067)	687	(7,380)	(33)
Housing Revenue Account Earmarked Reserves	(5,725)	(2,413)	(8,138)		(4,973)	(752)	(5,725)	
Total Reserves	**(95,366)**	**46,078**	**(49,287)**	**2,984**	**(113,655)**	**18,290**	**(95,366)**	**(2,982)**

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

	2022/23				2021/22			
	Adjustments for Capital Purposes	Net Change for Pensions Adjustment	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net Change for Pensions Adjustment	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Families, Children & Learning	6,872	7,579	658	**15,109**	11,477	19,112	(749)	**29,840**
Health & Adult Social Care	395	1,970	13	**2,378**	549	5,006	(3)	**5,552**
Economy, Environment & Culture	19,960	3,083	38	**23,081**	28,376	7,366	5	**35,747**
Housing, Neighbourhoods & Communities	5,888	1,015	33	**6,937**	3,920	2,698	8	**6,626**
Governance, People & Resources	3,280	2,285	(214)	**5,351**	2,740	6,105	5	**8,850**
Corporately-held Budgets	12	57	(0)	**69**	(1,368)	354	(1)	**(1,015)**
Housing Revenue Account	(15,047)	1,345	(126)	**(13,828)**	(15,427)	3,368	(2)	**(12,062)**
Net Cost of Services	**21,361**	**17,334**	**401**	**39,097**	**30,266**	**44,009**	**(737)**	**73,538**
Other Income and Expenditure/Financing	**(37,050)**	**(11,181)**	**(20,015)**	**(68,246)**	**(36,537)**	**6,285**	**(18,858)**	**(49,110)**
Difference between General Fund/HRA surplus/deficit and the CIES surplus/deficit on Provision of Services	**(15,688)**	**6,153**	**(19,614)**	**(29,149)**	**(6,272)**	**50,294**	**(19,595)**	**24,428**

Explanatory Notes

Adjustments for Capital Purposes

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

Net change for the Pensions Adjustment

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

Other differences

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

6. Expenditure and Income Analysed by Nature

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

	2022/23 £'000	2021/22 £'000
Employee expenses	360,834	378,522
Other service expenses	519,810	497,969
Depreciation, amortisation and impairments	47,376	56,222
Interest payable	18,900	17,475
Payments to the government's Housing Capital Receipts Pool	0	1,234
Precepts and levies	273	267
Total Expenditure	947,192	951,689
Fees, charges and other service income	(233,417)	(212,201)
Net Loss/(Gain) on disposal of non-current assets	(4,517)	(129)
Interest receivable	(6,640)	(3,137)
Income from Council Tax/Non-Domestic Rates	(215,045)	(198,667)
Government grants and contributions	(470,645)	(494,838)
Total Income	(930,263)	(908,972)
(Surplus)/Deficit on the Provison of Services	**16,929**	**42,718**

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

	2022/23 £'000	2021/22 £'000
Families, Children & Learning	(23,574)	(19,205)
Health & Adult Social Care	(42,722)	(38,319)
Economy, Environment & Culture	(76,277)	(68,019)
Housing, Neighbourhoods & Communities	(16,816)	(17,015)
Governance, People & Resources	(3,324)	(3,439)
Corporate & Other	(6,137)	(5,479)
Housing Revenue Account	(64,566)	(60,724)
Total Income from External Customers	**(233,417)**	**(212,201)**

IFRS15 Revenue from contracts with customers

Of the £233.4 million of income from fees, charges and other service income, £126.1 million of this is income from contracts with customers. The balance of £107.3 million is outside the scope of this reporting standard and includes, for example, housing rents, commercial rents and car parking penalties.

7. Adjustments between Accounting Basis and Funding Basis under Regulation

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

2022/23	General Fund £'000	HRA £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total £'000
Pension costs (transferred to/(from) the Pensions Reserve)	(5,523)	(629)	0	0	0	**(6,153)**
Financial instruments (transferred to/(from) the Financial Instruments Adjustment Account)	(461)	109	0	0	0	**(352)**
Council tax and NDR (transferred to/(from) the Collection Fund Adjustment Account)	20,693	0	0	0	0	**20,693**
Employees' paid absences (transferred to the Accumulated Absences Account)	(744)	17	0	0	0	**(727)**
Reversals of entries included in the CIES in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(37,784)	(6,336)	0	(15,239)	(2,277)	**(61,637)**
Adjustments to Revenue Resources	**(23,820)**	**(6,839)**	**0**	**(15,239)**	**(2,277)**	**(48,176)**
Non-current asset sale proceeds	1,147	6,514	(7,661)	0	0	**0**
Payments to the government housing capital receipts pool	0	0	0	0	0	**0**
Statutory and voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account)	11,413	0	0	0	0	**11,413**
Capital expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	1,298	3,202	0	0	0	**4,500**
Use of capital receipts to fund voluntary severance costs	(4,569)	0	4,569	0	0	**0**
Adjustments between Revenue and Capital Resources	**9,289**	**9,717**	**(3,092)**	**0**	**0**	**15,913**
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	11,076	0	0	**11,076**
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	15,239	0	**15,239**
Application of capital grants to finance capital expenditure	29,146	11,666	0	0	65	**40,877**
Cash payments in relation to deferred capital receipts	(9)	(0)	0	0	0	**(9)**
Adjustments to Capital Resources	**29,137**	**11,666**	**11,076**	**15,239**	**65**	**67,184**
Total Adjustments	**14,605**	**14,544**	**7,984**	**0**	**(2,212)**	**34,921**

2021/22	General Fund £'000	HRA £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total £'000
Pension costs (transferred to/(from) the Pensions Reserve)	(46,274)	(4,021)	0	0	0	**(50,294)**
Financial instruments (transferred to/(from) the Financial Instruments Adjustment Account)	(335)	9	0	0	0	**(326)**
Council tax and NDR (transferred to/(from) the Collection Fund Adjustment Account)	19,193	0	0	0	0	**19,193**
Employees' paid absences (transferred to the Accumulated Absences Account)	735	(7)	0	0	0	**728**
Reversals of entries included in the CIES in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(48,810)	(2,474)	0	(13,656)	(750)	**(65,689)**
Adjustments to Revenue Resources	**(75,491)**	**(6,492)**	**0**	**(13,656)**	**(750)**	**(96,389)**
Non-current asset sale proceeds	2,160	8,202	(10,363)	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)	9,863	548	0	0	0	**10,411**
Capital expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	1,083	3,648	0	0	0	**4,731**
Use of capital receipts to fund voluntary severance costs	(5,151)	0	5,151	0	0	**0**
Adjustments between Revenue and Capital Resources	**6,721**	**12,399**	**(3,978)**	**0**	**0**	**15,142**
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	8,670	0	0	**8,670**
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	13,656	0	**13,656**
Application of capital grants to finance capital expenditure	32,940	5,502	0	0	2,043	**40,486**
Cash payments in relation to deferred capital receipts	(8)	(0)	0	0	0	**(8)**
Adjustments to Capital Resources	**32,932**	**5,502**	**8,670**	**13,656**	**2,043**	**62,804**
Total Adjustments	**(35,837)**	**11,409**	**4,693**	**0**	**1,293**	**(18,442)**

8. Usable Reserves (Earmarked Reserves)

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

	Balance 31 March 2021 £'000	Transfers To £'000	Transfers From £'000	Balance 31 March 2022 £'000	Transfers To £'000	Transfers From £'000	Balance 31 March 2023 £'000
Collection Fund Section 31 Grants Adjustment Reserve	(37,678)	(22,896)	39,095	(21,479)	(683)	20,991	(1,171)
Brighton i360 Reserve	(7,806)	(1,376)	100	(9,082)	(1,352)	10,434	0
Local Management of Schools Reserves	(6,912)	(1,224)	0	(8,136)	0	3,595	(4,541)
PFI Reserves	(5,376)	(2,287)	224	(7,439)	(1,662)	929	(8,172)
Insurance Reserves	(5,253)	0	5,253	0	0	0	0
Other earmarked reserves	(5,121)	(1,561)	831	(5,851)	(956)	1,493	(5,314)
City Deal New England House Development Reserve	(4,568)	0	83	(4,485)	0	4,377	(108)
Revenue Grants Carry Forward Reserve	(3,278)	(3,814)	3,277	(3,815)	(5,595)	3,814	(5,596)
Brighton Centre Redevelopment Reserve	(2,821)	(6)	1,695	(1,132)	(167)	447	(852)
Departmental Carry Forwards	(2,113)	(5,962)	2,113	(5,962)	(2,317)	5,962	(2,317)
Capital Reserves	(516)	(136)	438	(214)	(259)	344	(129)
Restructure Redundancy Reserve	(85)	(103)	31	(157)	(63)	192	(28)
General Fund Working Balance	(19,088)	(2,949)	7,528	(14,509)	(7,975)	13,731	(8,753)
General Fund Reserves	**(100,615)**	**(42,314)**	**60,668**	**(82,261)**	**(21,029)**	**66,309**	**(36,981)**
Capital Reserves	(2,900)	(1,160)	2,900	(1,160)	(1,596)	2,076	(680)
Other earmarked reserves	(2,073)	(4,096)	1,604	(4,565)	(3,900)	1,007	(7,458)
Housing Revenue Account Working Balance	(8,067)	(33)	720	(7,380)	0	3,211	(4,169)
Housing Revenue Account Reserves	**(13,040)**	**(5,289)**	**5,224**	**(13,105)**	**(5,496)**	**6,294**	**(12,307)**
Capital Receipts Reserve	(28,885)	(13,542)	18,234	(24,193)	(70,452)	78,436	(16,209)
Capital Grants Unapplied Reserve	(4,758)	(953)	2,246	(3,465)	(3,176)	964	(5,677)
Total Usable Reserves	**(147,298)**	**(62,098)**	**86,372**	**(123,024)**	**(100,153)**	**152,003**	**(71,173)**

The single largest movement in the reserves (a reduction of £20 million) is for the Collection Fund Section 31 Grants Adjustment reserve from the majority of the balance of Section 31 compensation grants which were paid out in 2022/23. The other large single movement is the transfer of the Brighton i360 reserve to provisions.

Local Management of Schools Reserve

The Local Management of Schools Reserve holds the school's balances under a scheme of delegation. These balances are used solely to provide education to the pupils of that school. The table shows the level of reserves held in total by the council's schools.

	Balance 1 April 2022 £'000	Unspent Balance £'000	Overspent Balance £'000	Balance 31 March 2023 £'000
Nursery schools	**20**	0	81	**81**
Primary schools	**(3,685)**	(2,170)	985	**(1,185)**
Secondary schools	**(4,561)**	(4,140)	567	**(3,573)**
Special schools	**91**	(367)	504	**137**
Total Reserves	**(8,135)**	**(6,677)**	**2,137**	**(4,541)**

9. Unusable Reserves

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

	2022/23 £'000	2021/22 £'000	Change £'000
Capital Adjustment Account	(1,237,694)	(1,201,809)	(35,885)
Revaluation Reserve	(584,505)	(534,536)	(49,969)
Deferred Capital Receipts Reserve	(6,115)	(6,123)	9
Pooled Fund Adjustment Account	1,107	495	612
Accumulated Absences Account	4,871	4,144	727
Financial Instruments Adjustment Account	9,375	9,635	(260)
Collection Fund Adjustment Account	2,413	23,106	(20,693)
Pensions Reserve	(138,322)	268,693	(407,015)
Total Unusable Reserves	**(1,948,869)**	**(1,436,394)**	**(512,475)**

Capital Adjustment Account

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

	2022/23 £'000	2021/22 £'000
Balance 1 April	**(1,201,809)**	**(1,178,709)**
Charges for depreciation and impairment of non-current assets	60,498	57,900
Impairment losses on Financial Assets	2,481	(6,182)
Revaluation losses on non-current assets	27,948	20,877
Upward revaluations reversing previous revaluation losses on non-current assets	(45,451)	(28,785)
Impairment losses on non-current assets	3	0
Amortisation of intangible assets	2,852	2,484
Revenue expenditure funded from capital under statute	8,628	5,432
unts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	3,153	10,217
Adjusting amounts written out to the revaluation reserve	(14,416)	(10,834)
Use of the capital receipts reserve to finance new capital investment	(11,076)	(8,670)
Use of the HRA balance to finance new capital investment	0	0
Use of the major repairs reserve to finance new capital investment	(15,239)	(13,656)
Capital grants and contributions credited to the CIES that have been applied to capital funding	(40,812)	(38,443)
Application of grants to capital financing from the capital grants unapplied account	(65)	(2,043)
sion for the financing of capital investment charged against the General Fund and HRA balances	(5,594)	(5,346)
sion for the financing of capital investment charged against the General Fund and HRA balances	(5,819)	(5,065)
Capital investment charged against the General Fund and HRA balances	(2,856)	(183)
Movements in the market value of investment properties debited/(credited) to the CIES	1,526	3,747
Use of earmarked reserves to finance new capital investment	(1,644)	(4,548)
Balance 31 March	**(1,237,694)**	**(1,201,809)**

Revaluation Reserve

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

	2022/23 £'000	2021/22 £'000
Balance 1 April	**(534,536)**	**(489,055)**
Upward revaluation of non-current assets	(105,387)	(80,615)
Downward revaluation and impairment of non-current assets	41,002	24,301
Other Comprehensive Income and Expenditure	**(64,386)**	**(56,314)**
Difference between fair value and historic cost depreciation	12,744	9,041
Accumulated gains on non-current assets disposals	1,673	1,793
Adjustments between accounting basis and funding basis under regulation	**14,416**	**10,833**
Balance 31 March	**(584,505)**	**(534,536)**

Deferred Capital Receipts Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these as usable for financing new capital investment until the payments (capital receipts) are received. The balance of this reserve at 31 March 2023 is £6.1 million.

Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise from accruing for employees' paid absences earned but not taken in the financial year (e.g. the value of annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact is neutralised by transfers to/or from the accumulated absences account. The balance of this reserve at 31 March 2023 is £4.9 million.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in line with statutory provisions. The balance of this reserve at 31 March 2023 is £9.4 million.

Collection Fund Adjustment Account

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

	2022/23 £'000	2021/22 £'000
Balance 1 April	**23,106**	**42,299**
Amount by which council tax and non domestic rates income credited to the CIES is different from council tax and non domestic rates income calculated for	(20,693)	(19,193)
Balance 31 March	**2,413**	**23,106**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES. As the benefits are earned by employees, the assets/liabilities are updated to recognise inflation and the assumptions that change in light of investment returns. Statutory requirements are that benefits earned should be financed as the council makes employer's contributions to the pension funds or pays any pensions for which it is directly responsible. The 31 March 2023 balance on the Pensions Reserve shows a surplus in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements in place will ensure that pension fund funding will match pension fund liabilities by the time the benefits come to be paid.

	2022/23 £'000	2021/22 £'000
Balance as at 1 April	**268,693**	**416,322**
Remeasurements of the net defined benefit liability	(413,168)	(197,923)
Reversal of items relating to retirement benefits charged to the surplus / deficit on the provision of services	43,188	83,885
Employer's pensions contributions payable	(37,035)	(33,591)
Balance as at 31 March	**(138,322)**	**268,693**

10. Non-Current Assets

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

The following tables set out the gross carrying amount, accumulated depreciation and the movements in value over the year for non-current assets.

2022/23	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	Intangible Assets	Total non PPE	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2022														
Gross carrying amount	955,909	757,963	48,291	217,380	2,312	21,632	5,077	**2,008,566**	207,427	58,062	0	22,444	**287,933**	2,296,500
Accumulated depreciation	0	(25,706)	(32,828)	(102,933)	0	0	0	**(161,467)**	0	0	0	(13,709)	**(13,709)**	(175,177)
Net Carrying Amount at 1 April 2022	**955,909**	**732,257**	**15,463**	**114,447**	**2,312**	**21,632**	**5,077**	**1,847,099**	**207,427**	**58,062**	**0**	**8,734**	**274,224**	**2,121,323**
Capital Additions														
Additions	42,175	17,698	5,004	15,626	413	29,472	0	**110,387**	347	272	0	2,616	**3,235**	**113,623**
Derecognition - disposals	(3,074)	(70)	(629)	(3,033)	0	0	0	**(6,806)**	0	0	0	0	**0**	**(6,806)**
Derecognition - disposals (depreciation)	0	5	616	3,033	0	0	0	**3,653**	0	0	0	0	**0**	**3,653**
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement recognised in the Revaluation Reserve														
Revaluation increases	11,975	50,525	0	0	0	0	101	**62,602**	18,368	0	0	0	**18,368**	**80,970**
Depreciation written out	10,546	16,382	0	0	0	0	0	**26,928**	0	0	0	0	**0**	**26,928**
Revaluation (losses)	(979)	(42,843)	0	0	0	0	(101)	**(43,923)**	0	0	0	0	**0**	**(43,923)**
Impairment (losses)	(51)	0	0	0	0	0	0	**(51)**	0	0	0	0	**0**	**(51)**
Transactions charged to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement														
Depreciation charge	(15,239)	(30,757)	(3,152)	(11,349)	0	0	(1)	**(60,498)**	0	0	0	(2,852)	**(2,852)**	**(63,350)**
Reversal of previous year's depreciation	4,693	0	0	0	0	0	0	**4,693**	0	0	0	0	**0**	**4,693**
Revaluation (losses)	(7,706)	(20,481)	0	0	0	0	0	**(28,187)**	0	0	0	0	**0**	**(28,187)**
Revaluation loss reversals	731	40,157	0	0	0	0	0	**40,887**	0	0	0	0	**0**	**40,887**
Impairment (losses)	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Impairment loss reversals	0	568	0	0	0	0	0	**568**	0	0	0	0	**0**	**568**
Other Transactions														
Assets reclassified (to) / from Assets Held for Sale, Investment Property and Heritage Assets	0	0	0	0	0	0	0	**0**	0	(451)	451	0	**0**	**0**
Assets reclassified within Property, Plant and Equipment	11,186	0	0	0	0	(11,186)	0	**0**	0	0	0	0	**0**	**0**
Other movements in gross carrying amount	0	0	0	0	0	0	0	**0**	0	(1,526)	0	0	**(1,526)**	**(1,526)**
Other movements in depreciation	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Net Carrying Amount at 31 March 2023	**1,010,167**	**763,439**	**17,302**	**118,724**	**2,725**	**39,919**	**5,077**	**1,957,354**	**226,143**	**56,357**	**451**	**8,498**	**291,449**	**2,248,803**
Comprising														
Gross carrying amount	1,010,167	786,921	52,666	229,974	2,725	39,919	5,077	**2,127,449**	226,143	56,363	445	25,060	**308,011**	**2,435,460**
Accumulated depreciation	0	(23,482)	(35,364)	(111,250)	0	0	0	**(170,095)**	0	0	0	(16,562)	**(16,562)**	**(186,657)**
Net Carrying Amount at 31 March 2023	**1,010,167**	**763,439**	**17,302**	**118,724**	**2,725**	**39,919**	**5,077**	**1,957,354**	**226,143**	**56,363**	**445**	**8,498**	**291,449**	**2,248,803**

2021/22	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000	Heritage Assets £'000	Investment Property £'000	Assets Held for Sale £'000	Intangible Assets £'000	Total non PPE £'000	Grand Total £'000
Balance as at 1 April 2021														
Gross carrying amount	912,447	707,783	47,908	249,851	2,268	13,866	3,394	**1,937,518**	215,253	62,242	0	19,299	**296,795**	2,234,313
Accumulated depreciation	0	(20,264)	(32,664)	(139,265)	0	0	0	**(192,193)**	0	0	0	(11,325)	**(11,325)**	(203,518)
Net Carrying Amount at 1 April 2021	**912,447**	**687,519**	**15,245**	**110,586**	**2,268**	**13,866**	**3,394**	**1,745,325**	**215,253**	**62,242**	**0**	**7,974**	**285,470**	**2,030,795**
Capital Additions														
Additions	36,261	27,489	4,154	15,194	44	14,036	0	**97,179**	116	101	0	3,257	**3,474**	**100,653**
Asset Disposals														
Derecognition - disposals	(3,966)	(5,879)	(3,771)	(47,665)	0	0	0	**(61,282)**	0	0	0	(112)	**(112)**	**(61,394)**
Derecognition - disposals (depreciation)	0	733	3,204	47,141	0	0	0	**51,078**	0	0	0	100	**100**	**51,177**
Transactions in respect of the Surplus on Revaluation of Non Current Assets within the Comprehensive Income and Expenditure Statement recognised in the Revaluation Reserve														
Revaluation increases	8,713	55,936	0	0	0	0	519	**65,168**	0	0	0	0	**0**	**65,168**
Revaluation of disposed assets	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Depreciation written out	9,310	7,526	0	0	0	0	1	**16,838**	0	0	0	0	**0**	**16,838**
Revaluation (losses)	(195)	(17,338)	0	0	0	0	(217)	**(17,749)**	(7,942)	0	0	0	**(7,942)**	**(25,691)**
Impairment (losses)	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Transactions charged to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement														
Depreciation charge	(14,142)	(29,579)	(3,369)	(10,809)	0	0	(1)	**(57,900)**	0	0	0	(2,484)	**(2,484)**	**(60,384)**
Reversal of previous year's depreciation	4,832	15,878	0	0	0	0	0	**20,710**	0	0	0	0	**0**	**20,710**
Revaluation (losses)	(3,794)	(19,970)	0	0	0	0	0	**(23,765)**	0	0	0	0	**0**	**(23,765)**
Revaluation loss reversals	2,161	4,874	0	0	0	0	1,381	**8,416**	0	0	0	0	**0**	**8,416**
Impairment (losses)	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Impairment loss reversals	0	2,547	0	0	0	0	0	**2,547**	0	0	0	0	**0**	**2,547**
Other Transactions														
Assets reclassified (to) / from Assets Held for Sale, Investment Property and Heritage Assets	0	0	0	0	0	0	0	**0**	0	(534)	0	0	**(534)**	**(534)**
Assets reclassified within Property, Plant and Equipment	4,283	2,521	0	0	0	(6,270)	0	**534**	0	0	0	0	**0**	**534**
Other movements in gross carrying amount	0	0	0	0	0	0	0	**0**	0	(3,747)	0	0	**(3,747)**	**(3,747)**
Other movements in depreciation	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Net Carrying Amount at 31 March 2022	**955,909**	**732,257**	**15,463**	**114,447**	**2,312**	**21,632**	**5,077**	**1,847,099**	**207,427**	**58,062**	**0**	**8,734**	**274,224**	**2,121,323**
Comprising														
Gross carrying amount	955,909	757,963	48,291	217,380	2,312	21,632	5,077	**2,008,566**	207,427	58,062	0	22,444	**287,933**	**2,296,500**
Accumulated depreciation	0	(25,706)	(32,828)	(102,933)	0	0	0	**(161,467)**	0	0	0	(13,709)	**(13,709)**	**(175,177)**
Net Carrying Amount at 31 March 2022	**955,909**	**732,257**	**15,463**	**114,447**	**2,312**	**21,632**	**5,077**	**1,847,099**	**207,427**	**58,062**	**0**	**8,734**	**274,224**	**2,121,323**

Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note greys out disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. All replaced infrastructure components are determined to have fully depreciated and have a net amount of nil.

Please note - due to historic custom and practice - that no local authority will have every infrastructure asset within its boundaries held at depreciated historic cost (as the data does not exist) and (again as the data does not exist) no local authority would be able to prove that it's depreciation and derecognition of infrastructure assets met the requirements of the latest interpretation of the accounting code.

Heritage Assets

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

	2022/23 £'000	2021/22 £'000
Royal Pavilion	347	116
Collections	0	0
West Blatchington Windmill	0	0
Rottingdean Windmill	0	0
Rare Books	0	0
Volks Railway	**0**	**0**
Cost of Acquisitions	**347**	**116**
Royal Pavilion	9,669	(7,891)
Collections	8,579	(0)
West Blatchington Windmill	0	(35)
Rottingdean Windmill	21	(8)
Rare Books	73	0
Volks Railway	27	(8)
Revaluation Increases/(Losses)	**18,368**	**(7,942)**
Royal Pavilion	173,213	163,197
Collections	41,498	32,919
West Blatchington Windmill	1,213	1,213
Rottingdean Windmill	464	443
Rare Books	8,313	8,240
Volks Railway	1,442	1,415
Carrying Amount as at 31 March	**226,142**	**207,427**

Valuations

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

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Heritage Assets	Investment Property	Assets Held for Sale	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost			52,666	229,974	2,725	39,919					25,060	**350,344**
Valued at insurance value (annually)								226,143				**226,143**
Valued at fair value:												
2022/23	1,010,167	538,086					5,077		56,357	451		**1,610,139**
2021/22		108,235										**108,235**
2020/21		61,326										**61,326**
2019/20		63,307										**63,307**
2018/19		13,590										**13,590**
Before 2018/19		2,377										**2,377**
Gross carrying amount	**1,010,167**	**786,921**	**52,666**	**229,974**	**2,725**	**39,919**	**5,077**	**226,143**	**56,357**	**451**	**25,060**	**2,435,460**
Accumulated depreciation	0	(23,482)	(35,364)	(111,250)	0	0	0	0	0	0	(16,562)	**(186,657)**
Net carrying amount	**1,010,167**	**763,439**	**17,302**	**118,724**	**2,725**	**39,919**	**5,077**	**226,143**	**56,357**	**451**	**8,498**	**2,248,803**

Surplus Asset Valuations

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

Heritage Asset Valuations

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

Investment Property Valuations

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

Useful Lives

Assets of the same type generally have the same life but there are exceptions for specific assets. Operational buildings and surplus assets are generally valued with a life of either 20 or 50 years as advised by the council's valuers. In respect of the assets valued using depreciated replacement cost valuation methodology as at 31 March 2023 the majority of assets were deemed to have a total useful life of 60 years with a remaining useful life of between 2 and 58 years.

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

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

Impairment and Revaluation Losses

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

Contractual Commitments

At 31 March 2023, the council had entered into the following contractual commitments in respect of non-current assets.

Contractual Commitments

Scheme Name	Description	£'000
Housing stock programme		3,634
Other Land and Buildings		
Adult Social Care	Knoll House building works	253
City Development & Regen	Various regeneration projects across Brighton & Hove	3,307
City Environmental Management	Various schemes across Brighton & Hove	1,538
Culture Tourism and Sport	Works on Royal Pavallion Estate, Kingsway to the Sea proj	2,722
Education and Skills	Works at various schools	6,608
Finance	Enterprise Resource Planning Programme	2
Housing General Fund	Warm Safe Homes	28
Property	Works on various council properties	805
Transport	Various highways schemes	3,691
Vehicles, Plant, Furniture and Equipment		
Adult Social Care	Better Care Fund works	154
City Environmental Management	Various vehicle costs	2,405
HR Organisational Develop	Replacement Learning Management System	1
IT&D	IT equipment and upgrades, Wide Area Network costs	694
Property	Workstyles Phase 4 and Water Efficiency project	81
Schools	Impulse Education Management System	55
Transport	Various highways schemes	420
Intangible Fixed Assets		
City Development & Regen	Various regeneration projects across Brighton & Hove	100
Cust Modernisation and Perf	Carefirst Replacement Project	100
Housing General Fund	Disabled facilities works	80
Transport	Exhaust Converters on Older Buses - capital grant	237
Grand Total		**26,911**

Investment Property Income and Expenses

The council lets properties in its investment portfolio at the full market rent. The council received £3.538 million of net income from investment properties in 2022/23 (£3.061 million 2021/22).

11. Capital Investment and Capital Financing

The council made £135.363 million of capital investments in 2022/23. The council's Capital Financing Requirement is the value of historic capital investment funded from borrowing which will be repaid in future financial years. In 2022/23 £63.371 million of capital investment was financed through unsupported borrowing (i.e. not supported by the government) and increased the council's Capital Financing Requirement. Please see details of movements in the table below.

	2022/23 £'000	2021/22 £'000
Opening Capital Financing Requirement	**429,094**	**394,849**
Property, plant and equipment	110,387	97,179
Heritage assets	347	116
Intangible assets	2,616	3,257
Investment property	272	101
Revenue expenditure funded from capital under statute	8,638	5,432
Long term investments (which are part of the capital programme)	9,786	4,066
Long term debtors (which are part of the capital programme)	3,316	0
Capital Investment	**135,363**	**110,152**
Movement in long term debtors	(27,092)	2,173
Capital Investment (including long term debtors)	**108,272**	**112,324**
Capital receipts	(11,076)	(8,670)
Capital grants and contributions	(40,877)	(40,610)
Major repairs reserve (Housing Revenue Account)	(15,239)	(13,656)
Reserves	(1,644)	(4,548)
Revenue contributions	(3,155)	(183)
Capital Financing (excluding borrowing)	**(71,992)**	**(67,668)**
Repayment of loans (Minimum Revenue Provision)	(11,414)	(10,411)
Closing Capital Financing Requirement	**453,960**	**429,094**

Minimum Revenue Provision

The council is required by statute to set aside a prudent sum for the repayment of debt – the Minimum Revenue Provision (MRP). Guidance issued by the government requires full council to approve an annual statement on the amount of debt that will be repaid in a financial year. The council's annual statement was approved at full Council in February 2022. The following table shows the amount set aside from revenue to repay debt.

	2022/23 £'000	2021/22 £'000
Supported Debt (debt where the Government provides revenue support)	2,328	2,328
Unsupported Debt (debt where no Government support is received)	5,819	4,517
Housing Revenue Account 'unsupported debt'	0	548
Charge equal to write down on PFI liabilities	3,267	3,019
Total Amount Set Aside from Revenue	**11,414**	**10,411**

12. Financial Instruments

Financial Assets	31 March 2023			31 March 2022		
	Long Term £'000	Short Term £'000	Total £'000	Long Term £'000	Short Term £'000	Total £'000
Fair value through profit or loss						
Investments	38	29,558	29,596	38	58,531	58,569
Amortised Cost						
Investments	10,114	133,676	143,790	29,530	178,196	207,726
Debtors	50,679	39,625	90,304	48,680	33,109	81,788
Total Financial Assets	**60,830**	**202,859**	**263,689**	**78,248**	**269,836**	**348,084**
Not Financial Assets	0	34,684	34,684	0	50,247	50,247
Total Assets	**60,830**	**237,543**	**298,373**	**78,248**	**320,083**	**398,331**

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

Financial Liabilities	31 March 2023			31 March 2022		
	Long Term £'000	Short Term £'000	Total £'000	Long Term £'000	Short Term £'000	Total £'000
Fair value through profit or loss						
Borrowings and creditors	0	0	0	0	0	0
Amortised cost						
Borrowing	(377,295)	(27,553)	(404,848)	(341,318)	(27,135)	(368,453)
Creditors	(34,130)	(54,273)	(88,403)	(37,612)	(55,226)	(92,838)
Total Financial Liabilities	**(411,424)**	**(81,826)**	**(493,251)**	**(378,930)**	**(82,361)**	**(461,291)**
Not Financial Liabilities	0	(78,732)	(78,732)	0	(149,532)	(149,532)
Total Liabilities	**(411,424)**	**(160,558)**	**(571,983)**	**(378,930)**	**(231,893)**	**(610,823)**

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

Financial instruments designated at fair value through profit or loss

The balance of financial assets designated at fair value through profit or loss 31 March 2022 was £58.569 million. There were no financial liabilities designated at fair value through profit or loss.

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

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

Reclassifications

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

Income, Expense, Gains and Losses

	2022/23		2021/22	
	Surplus or deficit on the provision of services	Other comprehensive income and expenditure	Surplus or deficit on the provision of services	Other comprehensive income and expenditure
	£'000	£'000	£'000	£'000
Financial assets measured at fair value through profit or loss - fair value	1,107	0	495	0
Financial assets measure at fair value through profit or loss - dividends	(1,326)	0	(302)	0
Total net (gains)/losses	**(219)**	**0**	**194**	**0**
Financial assets measured at amortised cost - **Interest Revenue**	(3,318)	0	(636)	0
Financial liabilities measured at amortised cost - **Interest Expenses**	12,709	0	10,898	0

Fair Value

Basis for recurring fair value measurements

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

Fair value of financial assets

Financial Assets - Fair value through profit or loss	Input level in the fair value hierarchy	Valuation Technique used to measure Fair Value	31 March 2023 £'000	31 March 2022 £'000
Money Market Funds (Low Volatility Net Asset Value Funds)	Level 1	Unadjusted quoted prices in active markets for identical shares	20,666	49,026
Pooled Funds (Variable Net Asset Value funds)	Level 1	Unadjusted quoted prices in active markets for identical shares	8,893	9,505
Municipal Bonds Agency Shareholding	Level 3		38	38

Transfer between levels of the fair value hierarchy

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

Changes in valuation technique

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

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

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

For loans payable from the Public Works Loan Board (PWLB) - PWLB market rates.
For non-PWLB loans payable - PWLB market rates.
For loans receivable - benchmark market rates.
No early repayment or impairment is recognised.

Where an instrument has a maturity of less than 12 months or is a trade or other receivable fair value is carrying/billed value.
For trade and other receivables fair value is the invoiced/billed value.

	31 March 2023		31 March 2022	
	Carrying Amount £'000	**Fair value £'000**	**Carrying Amount £'000**	**Fair value £'000**
Long term investments	10,152	10,025	29,567	29,793
Long term debtors	50,679	50,679	48,680	48,680
Total Financial Assets	**60,830**	**60,704**	**78,247**	**78,473**

The fair value of the long-term financial assets is higher than the carrying amount because the portfolio of investments includes fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This shows a notional future gain based on economic conditions attributable to the commitment to receive interest above current market rates. Long term debtors are carried at cost as this is a fair approximation of their value.

	31 March 2023		31 March 2022	
	Carrying Amount £'000	**Fair value £'000**	**Carrying Amount £'000**	**Fair value £'000**
Long term borrowing	(377,295)	(276,253)	(341,318)	(366,445)
PFI liabilities	(37,612)	(40,651)	(40,878)	(49,242)
Total Financial Liabilities	**(414,907)**	**(316,904)**	**(382,197)**	**(415,687)**

The fair value of borrowings is higher than the carrying amount because the portfolio of loans includes 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 arising from a commitment to pay interest to lenders above current market rates.

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

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
	31 March 2023			
Long Term Investments at Amortised Cost	0	10,025	0	10,025
Long Term Debtors	0	50,679	0	50,679
Financial Assets	**0**	**60,704**	**0**	**60,704**
Long term borrowing	0	(276,253)	0	(276,253)
PFI and Lease Liabilities	0	0	(40,651)	(40,651)
Financial Liabilities	**0**	**(276,253)**	**(40,651)**	**(316,904)**

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
	31 March 2023			
Long Term Investments at Amortised Cost	0	29,793	0	29,793
Long Term Debtors	0	48,680	0	48,680
Financial Assets	**0**	**78,473**	**0**	**78,473**
Long term borrowing	0	(366,445)	0	(366,445)
PFI and Lease Liabilities	0	0	(49,242)	(49,242)
Financial Liabilities	**0**	**(366,445)**	**(49,242)**	**(415,687)**

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

Financial Assets
Early repayment or impairment is recognised, estimated ranges of interest rates at 31 March 2023 for loans receivable, based on new lending rates for equivalent loans at that date and the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities
No early repayment is recognised and estimated ranges of interest rates at 31 March 2023 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) and market risk (the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates or stock market movements).

Overall procedures for managing risk

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through via the council's 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 rating services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category. The council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach incorporating credit ratings from all three rating agencies. However, it does not rely solely on the current credit ratings of counterparties but also uses credit watches and credit outlooks from credit rating agencies, Credit Default Swap spreads to give early warning of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries. The Investment Strategy for 2022/23 was approved by full Council in February 2022 and is available on the council's website. Customers for goods and services are assessed based on their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The council's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. There is a risk of not being able to recover all the council's deposits but there was no evidence at the 31 March 2023 that this was likely to occur.

Amounts arising from Expected Credit Losses (ECL)

The council has provision for bad debt across all services of £47.795 million at 31 March 2023. The council also reviews all other (non-service) debt and provides for Expected Credit Losses (ECL). The only material change for 2022/23 is the i360 seafront observation tower which has been increased from £9.238 million from £11.719 million. Please see also **Note 13 Debtors**.

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

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

	31 March 2023 £'000	31 March 2022 £'000
Less than one year	226,019	293,740
Between one and two years	5,029	10,000
Between two and five years	0	5,000
Between five and ten years	5,123	14,445
Total Financial Assets	**236,171**	**323,185**

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

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

	31 March 2023 £'000	31 March 2022 £'000
Less than one year	(70,815)	(72,991)
Between one and two years	(22,724)	(16,648)
Between two and five years	(22,726)	(40,899)
More than five years	(368,264)	(324,331)
Total Financial Liabilities	**(484,529)**	**(454,870)**

Market risk

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

Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.

Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances).

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.

Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

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

Effect of +1% in interest rates	31 March 2023 £'000	31 March 2022 £'000
Increase in interest payable on variable rate borrowings	81	144
Increase in interest receivable on variable rate investments	(735)	(1,159)
Impact on Comprehensive Income and Expenditure	**(654)**	**(1,015)**

Price risk
The council has a total of £45 million invested in money market funds (unchanged from the prior year). The value (price) of shares in these funds will vary.

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

13. Debtors

	31 March 2023 £'000	31 March 2022 £'000
Local Taxation	9,743	25,796
Debtor System Control	21,341	21,310
Local Growth Fund Grants	4,099	10,216
HMRC	6,041	6,055
Payments in Advance	4,413	2,951
HRA & Temporary Accommodation	4,475	2,550
Parking	367	364
Other	23,830	14,114
Total Short Term Debtors	**74,309**	**83,355**

£39.624 million (£33.109 million end March 2022) of the total of short-term debtors are classified as financial instruments and are included in **Note 12 Financial Instruments**. Debtors not classified as financial instruments are statutory debtors, grant debtors and payments in advance.

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

	31 March 2023 £'000	31 March 2022 £'000
i360 development	27,831	38,155
Finance leases	5,806	5,814
Brighton Dome & Festival Limited	2,704	0
Royal Pavilion & Museums Trust	1,867	1,867
Other long term debtors	3,204	2,844
Total Long Term Debtors	**41,412**	**48,680**

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

14. Creditors

	31 March 2023 £'000	31 March 2022 £'000
Grants & Contributions	(25,253)	(78,376)
Receipts in Advance	(18,708)	(21,151)
C2C Local Enterprise Partnership (LEP)	(14,734)	(34,787)
Creditors Control Account	(8,722)	(7,495)
HMRC	(5,653)	(6,267)
Pensions	(5,817)	(5,927)
Local Taxation	(3,718)	0
PFI Finance Lease Liability	(3,482)	(3,267)
Other	(46,918)	(47,488)
Total Short Term Creditors	**(133,005)**	**(204,758)**

The substantial year-on-year decrease in creditors is partly due to the council acting as an agent for the Coast to Capital (C2C) Local Enterprise Partnership (LEP) paying over a substantial value of final grant awards (£14.734 million in 2022/23 compared to £34.787 million in 2021/22 of investments offset by an equal and opposite creditor). The balance is the result of final pay outs of grants either back to government or, for example, to council tax payers (Council Tax Rebate Scheme) in 2022/23.

£54.273 million (£55.226 million 31 March 2022) of short-term creditors are classed as financial instruments and are included in **Note 12 Financial Instruments**. Creditors which are not classified as financial instruments are statutory creditors, grant creditors and receipts in advance.

15. Provisions

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

	Balance 1 April 2022 £'000	Additional Provisions Made £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Balance 31 March 2023 £'000
Other provisions	(2,612)	(370)	908	528	(1,546)
Short Term Provisions	**(2,612)**	**(370)**	**908**	**528**	**(1,546)**
Voluntary severance scheme provision	(500)	(257)	115	0	(642)
Insurance provision	(4,326)	0	0	0	(4,326)
Business rates appeals provision	(4,105)	0	1,858	392	(1,855)
Other provisions	(124)	(39)	41	0	(122)
Long Term Provisions	**(9,055)**	**(296)**	**2,014**	**392**	**(6,945)**
Total Provisions	**(11,667)**	**(666)**	**2,922**	**920**	**(8,491)**

Voluntary Severance Scheme Provision

Voluntary severance is just one of the mechanisms that can help the council to meet its financial targets whilst minimising the risk of compulsory redundancies. The council has therefore put in place a mechanism to incentivise voluntary severance in services required to deliver approved budget savings in 2022/23. This provision will meet the costs of approved severance packages which had not been finalised at the year end.

Insurance Provision

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

Business Rates Appeals Provision

At the end of March 2022, the council had a number of appeals outstanding against both the 2010 and 2017 rating lists. If successful, these appeals will result in a reduction in rateable value and refunds for prior financial years. This provision covers the council's share of the amount that the council anticipates having to repay if the appeals are successful.

16. Grants and Contributions

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

Government Revenue Grants

	2022/23 £'000	2021/22 £'000
Department for Levelling Up, Housing and Communities	(61,397)	(66,190)
Department for Work and Pensions	(1,008)	(981)
Department of Health & Social Care	(687)	(15,786)
Department for Education	(99)	(86)
Revenue government grants credited to taxation and non-specific grant income	**(63,191)**	**(83,043)**
Ring fenced revenue government grants credited to cost of services		
Department for Education	(213,356)	(203,297)
Department for Work and Pensions	(111,240)	(115,458)
Department of Health & Social Care	(27,731)	(31,497)
Department for Levelling Up, Housing and Communities	(12,593)	(15,640)
Other government departments	(1,153)	(2,466)
Department for Transport	(779)	(1,344)
Department for Business, Energy & Industrial Strategy	(62)	(4,222)
Ring fenced revenue government grants credited to cost of services	**(366,914)**	**(373,924)**
Total Government Revenue Grants	**(430,106)**	**(456,967)**

Non-Government Revenue Grants and Contributions

	2022/23 £'000	2021/22 £'000
Contributions from health	(27,066)	(22,086)
Contributions from other agencies and external bodies	(3,204)	(2,253)
Other contributions, donations and sponsorship	(2,870)	(2,071)
Contributions from other local authorities	(1,617)	(2,059)
Contributions from developers and stakeholders	(646)	(876)
Non-government grants	(639)	(511)
Total Non-Government Revenue Grants and Contributions credited to cost of services	**(36,043)**	**(29,856)**

Revenue Grants and Contributions with Conditions Attached

The council has received a number of revenue grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the funds to be returned if the conditions are not met. These are held within short term creditors.

Capital Grants and Contributions

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

	2022/23 £'000	2021/22 £'000
Department for Levelling Up, Housing and Communities	(12,409)	(6,377)
Department for Transport	(8,636)	(6,146)
Department for Education	(7,771)	(17,890)
Contributions from developers and stakeholders	(4,096)	(2,303)
Other government departments	(1,885)	(390)
Heritage Lottery Fund	(1,109)	(495)
Other contributions	(593)	(1,004)
Capital grants and contributions credited to taxation and non-specific grant income	**(36,499)**	**(34,605)**
Department of Health & Social Care	(2,335)	(2,316)
Department of Levelling Up, Housing & Communities	(719)	(444)
Department for Education	(597)	(357)
Department for Transport	(390)	(149)
Other contributions	(272)	(572)
Capital grants and contributions credited to cost of services	**(4,313)**	**(3,838)**
Total Capital Grants and Contributions	**(40,812)**	**(38,443)**

Capital Grants and Contributions with Conditions Attached

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

	2022/23 £'000	2021/22 £'000
Department for Education	(28,824)	(27,288)
Contributions from developers and stakeholders	(22,636)	(22,803)
Department for Transport	(12,559)	(10,023)
Other contributions	(6,461)	(6,310)
Ministry of Housing, Communities & Local Government	(4,860)	(3,201)
Department of Environment, Food and Rural Affairs	(796)	0
Department of Health	(458)	(480)
Total Capital Grants Receipts in Advance	**(76,593)**	**(70,105)**

Dedicated Schools Grant

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

2022/23	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG for 2022/23 before academy and high needs recoupment			(205,883)
Less academy and high needs figure recouped for 2022/23			20,802
Total DSG after academy and high needs recoupment for 2022/23			**(185,080)**
Plus: Brought forward from 2021/22			(35)
Less: Carry-forward to 2023/24 agreed in advance			0
Agreed initial budgeted distribution in 2022/23	**(32,976)**	**(152,139)**	**(185,115)**
In-year budget adjustments	(376)	434	58
Final budget distribution for 2022/23	**(33,352)**	**(151,705)**	**(185,057)**
Less actual central expenditure	32,984		32,984
Less actual ISB deployed to schools		151,705	151,705
Plus: Local authority contribution for 2022/23	0	0	0
Carry-forward to 2023/24	**(368)**	**0**	**(368)**
Plus/MInus: Carry-forward to 2023/24 agreed in advance			**0**
Carry-forward to 2023/24			**(368)**
DSG unusable reserve at the end of 2021/22			**0**
Addition to DSG unusable reserve at the end of 2022/23			**0**
Total of DSG unusable reserve at the end of 2022/23			**0**
Net DSG position at the end of 2022/23	**(368)**	**0**	**(368)**

2021/22	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG for 2021/22 before academy and high needs recoupment			(198,796)
Less academy and high needs figure recouped for 2021/22			18,415
Total DSG after academy and high needs recoupment for 2021/22	0	0	(180,381)
Plus: Brought forward from 2020/21			**(746)**
Less: Carry-forward to 2022/23 agreed in advance			0
Agreed initial budgeted distribution in 2021/22	**(29,314)**	**(151,813)**	**(181,127)**
In-year budget adjustments	(134)	23	(111)
Final budget distribution for 2021/22	**(29,448)**	**(151,790)**	**(181,238)**
Less actual central expenditure	29,413		29,413
Less actual ISB deployed to schools		151,790	151,790
Plus: Local authority contribution for 2021/22	0	0	0
Carry-forward to 2022/23	**(35)**	**0**	**(35)**
Plus/MInus: Carry-forward to 2022/23 agreed in advance			0
Carry-forward to 2022/23			-35
DSG unusable reserve at the end of 2020/21			0
Addition to DSG unusable reserve at the end of 2021/22			0
Total of DSG unusable reserve at the end of 2021/22			0
Net DSG position at the end of 2021/22	**(35)**	**0**	**(35)**

17. Leases and Lease Type Arrangements

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 length of leases range from 60 to 150 years. The assets acquired under these leases in 2022/23 are valued at £7.6 million and are carried as PPE on the balance sheet under other land and buildings. 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 (for example: office accommodation and buildings 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. The terms of the leases typically range from three to five years. The following table shows the future minimum lease payments due from the council under non-cancellable operating leases in future financial years:

	31 March 2023 £'000	31 March 2022 £'000
Not later than one year	7,972	7,598
Later than one year and not later than five years	11,399	5,891
Later than five years	1,852	822
Total Future Minimum Lease Payments	**21,223**	**14,311**

In addition, the council has 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 2022/23 was £7.515 million (2021/22 £10.713 million).

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.

	31 March 2023	31 March 2022
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):		
Current	9	8
Non current	6,107	6,116
Unearned finance income	36,310	36,759
Total Gross Investment in the Leases	**42,425**	**42,883**

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 at the balance sheet date.

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 the Lease 31 March 2023	Present value of Minimum Lease Payments 31 March 2023	Gross Investment in the Lease 31 March 2022	Present value of Minimum Lease 31 March 2022
	£'000	£'000	£'000	£'000
Not later than one year	457	9	457	8
Later than one year and not later than five years	2,287	54	2,287	50
Later than five years	39,681	6,053	40,138	6,065
Total	**42,425**	**6,116**	**42,883**	**6,124**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into such as rent reviews. In 2022/23,£15.619 million in contingent rents were receivable by the council (2021/22 £16.306 million).

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.

	31 March 2023	31 March 2022
	£'000	£'000
Not later than one year	7,978	8,221
Later than one year and not later than five years	19,085	20,803
Later than five years	106,832	102,758
Total Future Minimum Lease Payments	**133,895**	**131,782**

The minimum lease payments owed to the council do not include changes to future rental payments.

18. Private Finance Initiative Contracts

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

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

A 25-year contract for the provision of an integrated waste management services with South Downs Waste Services Ltd (now trading as Veolia ES South Downs Limited) jointly with East Sussex County Council. The agreement started April 2003 and has been extended by five years to the end of 2033.

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

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

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

On expiry of the contracts the assets created under the PFI arrangements automatically revert to the council at nil consideration. Termination of the contracts prior to the expiry is permitted by either party but only in exceptional circumstances and only after a period of negotiation. There have been no material changes to any of the PFI contracts in 2022/23.

Assets - PFI Contracts

The assets held under the PFI arrangements are recognised on the council's balance sheet. The value of assets held under PFI contracts is £107.203 million at end March 2023 (£85.1807 million March 2022). Movements in their value over the year are detailed in the analysis of the movement in **Note 10 Non-Current Assets**.

Liabilities - PFI Contracts

2022/23	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
At 1 April 2022	**7,503**	**29,185**	**4,190**	**40,878**
Lease Repayment	(954)	(1,919)	(393)	**(3,266)**
At 31 March 2023	**6,549**	**27,266**	**3,797**	**37,612**

2021/22	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
At 1 April 2021	**8,357**	**30,987**	**4,552**	**43,896**
Lease Repayment	(854)	(1,802)	(362)	**(3,018)**
At 31 March 2022	**7,503**	**29,185**	**4,190**	**40,878**

Payments Due - PFI Contracts

Future contract payments for the schools and waste PFI contracts are based on a projected annual retail price inflation rate. The future payments for the library PFI contract are based upon a mix of projected inflation rates (retail prices, building maintenance and average earnings). The payment for services includes lifecycle payments towards the enhancement and maintenance of PFI assets and inflation.

Payments Due Under PFI Arrangements

2022/23	Repaymen t of Liability £'000	Interest Costs £'000	Payment For Services £'000	Total £'000
Within 1 year	1,046	687	1,779	**3,512**
Within 2 to 5 years	5,503	1,532	7,844	**14,879**
Total Payments Due - Schools	**6,549**	**2,219**	**9,623**	**18,391**
Within 1 year	2,043	1,496	10,881	**14,420**
Within 2 to 5 years	9,552	4,802	50,813	**65,167**
Within 6 to 10 years	15,670	2,700	70,937	**89,307**
Total Payments Due - Waste	**27,265**	**8,998**	**132,631**	**168,894**
Within 1 year	427	319	2,069	**2,815**
Within 2 to 5 years	2,103	887	8,973	**11,963**
Within 6 to 10 years	1,268	162	5,008	**6,438**
Total Payments Due - Library	**3,798**	**1,369**	**16,050**	**21,216**
Within 1 year	3,516	2,502	14,729	**20,747**
Within 2 to 5 years	17,158	7,221	67,630	**92,009**
Within 6 to 10 years	16,938	2,862	75,945	**95,745**
Total Payments Due - All	**37,612**	**12,586**	**158,304**	**208,501**

2021/22	Repayment of Liability	Interest Costs	Payment For Services	Total
	£'000	£'000	£'000	£'000
Within 1 year	954	786	1,612	**3,352**
Within 2 to 5 years	4,928	2,047	6,935	**13,910**
Within 6 to 10 years	1,621	171	1,817	**3,609**
Total Payments Due - Schools	**7,503**	**3,004**	**10,365**	**20,872**
Within 1 year	1,919	1,600	10,999	**14,518**
Within 2 to 5 years	8,985	5,291	52,046	**66,322**
Within 6 to 10 years	14,764	3,512	75,241	**93,517**
Within 11 to 15 years	3,517	195	16,466	**20,178**
Total Payments Due - Waste	**29,185**	**10,598**	**154,752**	**194,535**
Within 1 year	393	353	1,796	**2,542**
Within 2 to 5 years	1,938	1,050	8,104	**11,092**
Within 6 to 10 years	1,860	319	10,093	**12,271**
Total Payments Due - Library	**4,190**	**1,721**	**19,994**	**25,905**
Within 1 year	3,266	2,739	14,408	**20,412**
Within 2 to 5 years	15,851	8,388	67,086	**91,324**
Within 6 to 10 years	18,245	4,002	87,151	**109,397**
Within 11 to 15 years	3,517	195	16,466	**20,178**
Total Payments Due - All	**40,878**	**15,323**	**185,110**	**241,312**

19. Contingent Assets and Contingent Liabilities

Contingent Assets

Vehicle Procurement

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

Credit Card Commission

The council is part of a class action, led by the Local Government Association, against Mastercard and Visa in relation to alleged fixing of interchange card fees. This action has been brought forward by a range of private and public sector organisations and is progressing through the courts. The council is not able to quantify any potential financial compensation and is indemnified and insured against any material costs should the claim fail.

Contingent Liabilities

General Legal and Litigation Claims

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

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

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

20. Related Parties

The council has the following material related party transactions.

Central Government
Central government has significant influence over the general operations of the council, provides the statutory framework within which the council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax, housing benefits and business rates). Details of the general grants and specific grants received from government departments in 2022/23 can be found in **Note 16 Grants and Contributions.**

Levying Authorities
Other public bodies may levy the council by making a demand on the council tax requirement. In 2022/23, the council paid levies of £0.220 million (£0.216 million 2021/22) to the Environment Agency, the Sussex Inshore Fisheries & Conservation Authority and various enclosure committees. These costs are included in other operating expenditure.

Members
Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in **Note 22 Member's Allowances and Expenses**. Details of the entities with whom members are involved are recorded in the Register of Members' Interests which can be found on the council's website.

The following member holds a position of control or significant influence in a related party to the council in 2022/23. Councillor Thomas Druitt is a managing director of The Big Lemon

CIC (bus company). The council has a contract for bus services with the company with a value of £1.094 million in 2022/23.

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

Officers
During 2022/23, the council provided Chief Finance Officer (S151), financial and other services to the South Downs National Park Authority (SDNPA) on a contractual basis. During 2022/23, the council received £0.332 million (£0.314 million 2021/22) in respect of these services. The council also had short-term borrowing with the SDNPA of £7.455 million as at 31 March 2023 (£8.443 million 31 March 2022) in accordance with the service contract and the SDNPA Annual Investment Strategy. The officers involved in providing S151 and other financial services to SDNPA could not influence these financial transactions as they were paid in accordance with the agreed contract terms and were not party to the procurement process for these services.

Other Public Bodies (subject to common control by central government)
The council has various Section 75 arrangements with NHS partners for the provision of personal social services and community health care for adults. Transactions in respect of these Section 75 arrangements are detailed in **Note 28 Partnership and Section 75 Arrangements.**

Entities which are not controlled/ significantly influenced by the council

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

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

Brighton & Hove Seaside Community Homes Ltd is a not for profit charitable company set up and funded by a third party independent to the council as a local delivery vehicle to raise investment for improvements to council dwellings. The company was incorporated in March 2009 and has leased 499 empty properties from the council taking them on over a five year period (November 2011 to 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 company's board membership comprises twelve directors of which the council may nominate up to four members to serve as directors.

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

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

The council provided financial support to the **East Sussex Credit Union** in April 2016 with a membership deposit of £0.028 million and a subordinated loan of £0.250 million for the purpose of providing safe, affordable and accessible financial products to some of the city's most financially excluded and at-risk residents. The loan is interest free and repayable in 2026.

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

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

Entities which are significantly influenced by the council

The Homes for the City of Brighton & Hove Limited Liability Partnership (LLP) was formed in November 2017. The council has 50% of the Management Board voting rights through three members appointed as Designated Members of the company, however, neither partner of the LLP has a casting vote and any disputes require specific resolution as set out in the signed agreement. The aim of the company is to deliver 1,000 lower cost homes for rental and sale. In October 2020 approval was given by Policy & Resources Committee to amend the agreement with the LLP and D&B Co to bring forward the first two sites. This amendment now means that the HRA will be purchasing 176 homes to let at social rents directly from the LLP. Following the amendment to the LLP Business Plan in 2022/23 for the remaining homes to be delivered the company's strategic financial model still requires the council as defined by the original agreement signed in 2017 to provide finances to the LLP during the development of homes where a cash shortfall in the LLP is identified. This financing will be repaid before any surplus crystalizes from the sale of the properties to the Housing Revenue Account. The council will also provide Corporate & Financial Services to the company.

The Homes for The City of Brighton & Hove Design & Build Company Limited (D&B Co) was also formed in November 2017. The company is wholly owned by the LLP through its 100% shareholding. The council has nominated three of its members (50% of the total) 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 LLP. The costs of construction will be charged to the LLP as they are incurred. During 2022/23 the business plan for the LLP was amended which resulted in there no longer being a need for the D&B Co and as such will be wound down during 2023/24.

Neither of the two closely related organisations above are controlled by the council and the council's total equity investment of £19.194 million was repaid in full during 2022/23.

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

21. Officers’ Remuneration

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

	Note	2022/23 Salary (including Fees & Allowances)	2022/23 Compensation for loss of office	2022/23 Pension Contributions	2022/23 Total Remuneration including Pension Contributions	2021/22 Salary (including Fees & Allowances)	2021/22 Compensation for loss of office	2021/22 Pension Contributions	2021/22 Total Remuneration including Pension Contributions
Chief Executive - Geoff Raw	**1**	£168,537	£0	£33,255	**£201,791**	£180,089	£0	£33,919	**£214,007**
Executive Director Families, Children & Learning		£129,213	£0	£25,584	**£154,797**	£127,288	£0	£25,839	**£153,127**
Executive Director Economy, Environment & Culture	**2**	£154,577	£0	£18,519	**£173,096**	£127,288	£0	£25,839	**£153,127**
Executive Director Health & Adult Social Care		£129,213	£0	£25,584	**£154,797**	£127,288	£0	£25,839	**£153,127**
Executive Director Neighbourhoods, Communities & Housing		£129,213	£0	£25,584	**£154,797**	£127,288	£0	£25,839	**£153,127**
Executive Director Governance, People & Resources		£122,679	£0	£24,291	**£146,970**	£37,178	£0	£7,601	**£44,779**
Chief Finance Officer		£109,177	£0	£21,617	**£130,794**	£31,426	£0	£6,420	**£37,846**
Director of Human Resources & Organisational Development		£109,177	£0	£21,617	**£130,794**	£31,426	£0	£6,420	**£37,846**
Executive Director Finance & Resources		£0	£0	£0	**£0**	£77,482	£0	£15,861	**£93,342**
Executive Lead for Strategy, Governance & Law		£0	£0	£0	**£0**	£72,943	£0	£15,026	**£87,969**
	Total	**£1,051,786**	**£0**	**£196,051**	**£1,247,837**	**£939,696**	**£0**	**£188,604**	**£1,128,300**

1. The Chief Executive's total remuneration included payment of £563 for returning officer duties and this payment was fully funded by central government.
2. The Executive Director Economy, Environment & Culture post was covered on an interim job share basis from 24 April 2022 to 11 September 2022 due to previous post holder leaving on the 10 April 2022. This post was appointed to on the 12 September 2022.

No expense allowances were paid in either 2022/23 or 2021/22.

Other Employee Remuneration

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

Remuneration Band	2022/23 Number of Employees	2021/22 Number of Employees
£50,000 - £54,999	171	115
£55,000 - £59,999	133	119
£60,000 - £64,999	54	49
£65,000 - £69,999	40	47
£70,000 - £74,999	22	21
£75,000 - £79,999	16	7
£80,000 - £84,999	8	9
£85,000 - £89,999	4	6
£90,000 - £94,999	4	9
£95,000 - £99,999	14	7
£100,000 - £104,999	1	2
£105,000 - £109,999	3	1
£110,000 - £114,999	2	1
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	1	0
Total	**473**	**393**

22. Members' allowances and expenses

In 2022/23 the council paid £0.917 million (2021/22 £0.896 million) of allowances to members. Less than £0.001 million of expenses for travel/subsistence on approved duties outside the Brighton and Hove City area were claimed by members during 2021/22 (£0.001 million 2022/23). Full details of allowances and expenses paid in 2021/22 can be found on the council's website www.brighton-hove.gov.uk.

23. Termination benefits (including exit packages)

The council terminated the contracts of a number of employees during 2022/23 at a cost of £1.030 million (2021/22 £0.578 million). This includes £0.963 million for exit packages and £0.067 million for associated costs.

The council had a provision of £0.643 million at 31 March 2023 for committed payments for agreed voluntary redundancy packages. Please see **Note 15 Provisions**.

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

Cost Band	Number of Compulsory Redundancies		Number of Other Departures		Total Number of Exit Packages		Total Cost of Exit Packages	
	2022/23 No.	2021/22 No.	2022/23 No.	2021/22 No.	2022/23 No.	2021/22 No.	2022/23 £'000	2021/22 £'000
£0 - £20,000	0	0	23	38	23	38	159	235
£20,001 - £40,000	0	0	7	5	7	5	172	131
£40,001 - £60,000	0	0	3	3	3	3	140	142
£60,001 - £80,000	0	0	2	1	2	1	144	70
£80,001 - £100,000	0	0	2	0	2	0	172	0
£100,001 - £150,000	0	0	2	0	2	0	242	0
Total	**0**	**0**	**39**	**47**	**39**	**47**	**1,030**	**578**

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

24. Pension Schemes accounted for as Defined Contribution Schemes

Teacher's Pensions Scheme
Teachers employed by the council are members of the Teachers' Pension Scheme administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement and the council contributes towards the cost by making contributions based on a percentage of scheme members' pensionable salaries. The scheme itself is a defined benefit scheme but however is unfunded. The Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The council accounts for the scheme on the same basis as a defined contribution scheme. In 2022/23 the council paid £16.371 million (2021/22 £15.962 million) to the Teachers Pensions Agency in respect of employees' retirement benefits.

NHS Staff Pension Scheme
Former NHS employees that work for the council can choose to maintain their membership of the NHS Pension Scheme. The scheme provides these employees with specified benefits upon their retirement and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The scheme is an unfunded defined benefit scheme. The council accounts for the scheme on the same basis as a defined contribution scheme. In 2022/23 the authority paid £0.041 million (2021/22 £0.041 million) to the NHS Business Service Authority in respect of employees' retirement benefits.

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

25. Defined Benefit Pension Schemes

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

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

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

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

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

Barnett Waddingham LLP, an independent firm of actuaries, assesses the financial position of the East Sussex Pension Fund. The calculations and advice given by Barnett Waddingham 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's assets and liabilities have been estimated by the actuary based on the latest full valuation of the scheme as at 31 March 2023. Liabilities for the scheme have been assessed on an actuarial basis using the projected unit credit method (i.e. an estimate of the pensions that will be payable in future financial years dependent on assumptions about mortality rates, salary levels etc.). Actuarial assumptions are used by the actuary to calculate the valuation of the scheme. Risks and uncertainties are inherently associated with the assumptions that are adopted. The assumptions are in effect projections of future investment returns and demographic trends many years into the future and there is inevitably a great deal of uncertainty inherent in what constitutes the 'best estimate' with such projections as required by IAS 19 Employee Benefits. The actuary has interpreted 'best estimate' to mean that the proposed assumptions are 'neutral' and has advised that there is an equal chance of actual experience being better or worse than the assumptions used. The following table shows the principal assumptions used by the actuary as at 31 March 2023.

	31 March 2023	31 March 2022
Assumed life expectation at 65 retiring today - men	21.2	21.2
Assumed life expectation at 65 retiring today - women	24.1	23.8
Assumed life expectation at 65 retiring in 20 years - men	22.2	22.0
Assumed life expectation at 65 retiring in 20 years - women	25.6	25.0
Discount/return on assets rate	4.80%	2.60%
Pension increases	2.90%	3.25%
Salary increases	2.90%	3.25%
CPI inflation	2.90%	3.25%

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

Sensitivity to Assumptions

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

Sensitivity Analysis	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,117,525	1,190,949	1,210,501	1,230,564	1,316,269
Projected service cost	29,319	33,595	34,756	35,956	41,186
Adjustment to long term salary increase	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,216,846	1,211,752	1,210,501	1,209,258	1,204,373
Projected service cost	34,869	34,779	34,756	34,733	34,642
Adjustment to pension increases and deferred revaluation	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,311,454	1,229,668	1,210,501	1,191,816	1,121,611
Projected service cost	41,357	35,971	34,756	33,580	29,154
Adjustment to life expectancy assumptions		**+1 Year**	**None**	**-1 Year**	
Present value of total obligation		1,257,282	1,210,501	1,165,657	
Projected service cost		36,031	34,756	33,515	

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 in the CIES and MiRS.

	2022/23 £'000	2021/22 £'000
Service Cost Comprising:		
Current service cost	52,384	75,074
Past service costs	30	351
Financing and Investment Income and Expenditure		
Net interest expense	(9,226)	8,460
Post Employment Benefits charged to the Provision of Services	**43,188**	**83,885**
Remeasurement of the Net Defined Benefit Liability comprising:		
Return on scheme assets	92,844	(122,288)
Other actuarial gains/(losses)	35,286	0
Change in demographic assumptions	(1,736)	0
Change in financial assumptions	(725,190)	(78,780)
Experience adjustments	186,164	3,459
Adjustment re remeasurements of the pension scheme	(536)	(314)
Post Employment Benefits charged to 'Other Income and Expenditure' the CIES	**(413,168)**	**(197,923)**
Total Post Employment Benefits charged to the CIES	**(37,035)**	**(33,591)**

Assets and Liabilities in relation to Post-Employment Benefits

	2022/23 £'000	2021/22 £'000
Present value of the scheme liabilities	(1,210,501)	(1,683,436)
Fair value of scheme assets	1,348,823	1,414,743
Net Asset/Liability arising from Defined Benefit Obligation	**138,322**	**(268,693)**

Pension Scheme Liabilities

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

	2022/23 £'000	2021/22 £'000
Opening defined benefit obligation	**1,683,436**	**1,681,246**
Current service cost	51,351	74,252
Interest cost	44,541	32,272
Change in financial assumptions	(725,190)	(78,780)
Change in demographic assumptions	(1,736)	0
Experience gain/(loss) on defined benefit obligations	186,164	3,459
Liabilities assumed/(extinguished) on settlements	0	0
Estimated benefits paid net of transfers in	(38,578)	(37,290)
Past service costs including curtailments	30	351
Contributions by scheme participants and other employers	12,603	10,099
Past service cost	(2,120)	(2,173)
Closing defined benefit obligation	**1,210,501**	**1,683,436**

Pension Scheme Assets

	2022/23 £'000	2021/22 £'000
Opening fair value of fund assets	**1,414,743**	**1,264,924**
Interest on assets	53,767	23,812
Return on assets less interest	(92,844)	122,288
Other actuarial gains/(losses)	(35,286)	0
Administration expenses	(1,033)	(822)
Contribution by employer including unfunded	37,571	33,905
Contributions by scheme participants and other employers	12,603	10,099
Estimated benefits paid plus unfunded net of transfers in	(40,698)	(39,463)
Settlement prices received/paid	0	0
Closing fair value of fund assets	**1,348,823**	**1,414,743**

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 asset breakdown is set in the next table.

	31 March 2023	
	Quoted	**Unquoted**
Index Linked Government Securities - UK	0.0%	2.0%
Index Linked Government Securities - Overseas	0.0%	0.0%
Corporate Bonds - UK	0.0%	9.0%
Corporate Bonds - Overseas	0.0%	0.0%
Equities - UK	0.0%	0.0%
Equities - Overseas	5.0%	39.0%
Property	0.0%	7.0%
Absolute return portfolio	0.0%	18.0%
Private Equity	0.0%	8.0%
Infrastructure	0.0%	9.0%
Private Debt	0.0%	1.0%
Cash/Temporary Investments	1.0%	0.0%
Net Current Assets - Debtors	0.0%	0.0%
Net Current Assets - Creditors	0.0%	0.0%
Total	**6.0%**	**94.0%**

Asset and Liability Matching Strategy

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

Approach to Investment Portfolio

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

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

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

The contributions paid by the council are set by the Fund actuary at each triennial actuarial valuation or at any other time as instructed to do so by the Fund. The contributions payable over the period to 31 March 2023 are set out in the Rates and Adjustments certificate. For further details on the approach adopted to set contribution rates for the council please refer to the 31 March 2022 actuarial valuation report which can be found on East Sussex County Council's website, www.eastsussex.gov.uk.

Projected pension expense for the year to 31 March 2023

	31 March 2024 £'000
Service cost	34,756
Net interest on the defined liability (asset)	(7,520)
Administration expenses	1,013
Total loss/(profit)	**28,249**
Employer contributions	**35,020**

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2023.

26. External Audit Costs

In 2022/23 the council incurred the following costs in relation to the audit of the financial statements and the certification of grant claims and returns.

	2022/23 £'000	2021/22 £'000
Fees payable to the external auditors for audit services	190	193
Fees payable to the external auditors for certification of grant claims and returns	31	28
Refund from Public Sector Audit Appointments	0	(24)
Department for Levelling Up, Housing and Communities Redmond Review	0	(61)
Total External Audit Costs	**221**	**136**

27. Agency Services

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

Council Tax
The council is a billing authority for council tax and acts as an agent on behalf of the Sussex Police & Crime Commissioner and the East Sussex Fire Authority. The council has included a debtor of £0.953 million (£1.170 million 2021/22) for council tax income collected as an agent which has been overpaid to the two preceptors at end March 2023.

Non Domestic Rates (NDR)
The council is a billing authority for non-domestic rates and acts as an agent on behalf of central government and the East Sussex Fire Authority. The cash collected by the council from non-domestic rates taxpayers belongs proportionately to the council, central government and the precepting authority. The council has recognised a creditor of £3.718 million (debtor of £15.795 million 2021/22) for cash collected from non-domestic rates taxpayers as an agent for central government and the precepting authority, but which has been overpaid at end March 2023.

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

28. Partnership and Section 75 Arrangements

Under Section 75 (S75) of the National Health Service Act 2006, National Health Service (NHS) bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services or pooled budgets. During 2022/23, the council was party to the following S75 arrangements:

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

The gross income to the partnership in 2022/23 is £28.712 million (2021/22 £25.823 million) including Clinical Commissioning Group contributions.

	2022/23	2021/22
	£'000	**£'000**
Sussex Partnership Foundation Trust	414	328
Brighton & Hove City Council	22,274	19,139
Brighton & Hove Clinical Commissioning Group	6,024	6,356
Total Section 75 Contributions	**28,712**	**25,823**

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

With effect from 1 April 2015, some adult social care services, covering the geographical area of the council, have been provided under the Better Care Fund partnership arrangement. The CCG acts as the lead commissioner for proactive care services, integrated primary care teams, homeless projects and dementia services. The council is the lead commissioner for the community equipment store (from 1 October 2015), the protecting social care function, carers and keeping people well services. Although there are lead commissioners for services, all decisions are made jointly by both organisations and signed off within the Better Care governance framework, therefore the council accounts for the transactions on a net accounting basis. The gross income to the partnership in 2022/23 was £34.723 million (2021/22 £33.430 million).

	2022/23	2021/22
	£’000	**£’000**
Brighton & Hove City Council	(12,724)	(12,142)
Brighton & Hove Clinical Commissioning Group	(21,999)	(21,288)
Total Better Care Fund	**(34,723)**	**(33,430)**

Better Care Fund - Memorandum Account

2022/23	CCG £'000	Council £'000	Total £'000
Income and Expenditure			
Contribution to the Pooled Budget - Cash or Kind	(21,999)	(12,724)	(34,723)
Net Expenditure from the Pooled Budget	13,213	21,510	34,723
Surplus/(Deficit) to be shared across parties to the pooled budget			**0**
Balance Sheet			
Contribution to the pooled budget	(21,999)	(12,724)	(34,723)
Total Spend	(21,999)	(12,724)	(34,723)
Cash	24,695	12,147	36,842
Debtors	0	577	577
Creditors	(2,696)	0	(2,696)
Cumulative Surplus/Deficit	**0**	**0**	**0**

There was no surplus or deficit for the Better Care Fund Memorandum Account for 2022/23.

ORBIS Joint Operating Budget
Orbis is a shared back office services partnership between Brighton and Hove City Council, East Sussex County Council, and Surrey County Council. Funding provided to the pooled budget in 2022/23 was £12.369 million (2021/22 £35.186 million). The funding included: Surrey County Council £5.460 million (2021/22 £17.249 million), East Sussex County Council £5.111 million (2021/22 £9.446 million) and Brighton and Hove City Council £1.798 million (2021/22 £8.491 million). The expenditure met from the pooled budget in 2022/23 was £12.369 million (2021/22 £35.186 million) resulting in a net surplus/deficit on the pooled budget of £nil in both 2022/23 and 2021/22.

29. Trust Funds

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

Capital Market Value £'000		Balance 1 April 2022 £'000	Expenditure £'000	Income £'000	Balance 31 March 2023 £'000
1,953	**Brighton Fund**	**(128)**	27	(58)	**(159)**
4,909	**Gorham's Gift**	**115**	150	(225)	**40**
1,061	**Hedgcock Bequest**	**(147)**	54	(51)	**(144)**
27	**Music Trust**	**24**	22	(58)	**(12)**
207	**Various library and museum bequests**	**(221)**	4	(11)	**(227)**
8,157	**Total Trust Fund Accounts**	**(357)**	**257**	**(403)**	**(503)**

The capital market value shows the valuation of Charities Official Investment Fund shares and other investments at the mid-market prices at 31 March 2023. The council acts as the sole trustee in respect of all funds listed with the exception of Gorham’s Gift.

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

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

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

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

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

Housing Revenue Account and Notes

Housing Revenue Account Income and Expenditure Statement

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

	Year ending 31 March 2023 £'000	Year ending 31 March 2022 £'000
Expenditure		
Repairs and maintenance	11,380	9,780
Supervision and management	28,267	28,320
Rents, rates, taxes and other charges	1,917	1,617
Non-current asset charges	18,502	12,042
Debt management costs	56	66
Movement in allowance for bad debts	340	653
Total Expenditure	**60,463**	**52,477**
Income		
Dwelling rents	(56,048)	(52,751)
Non-dwelling rents	(1,600)	(1,523)
Charges for services and facilities	(6,030)	(5,454)
Other income	(1,238)	(1,002)
Total Income	**(64,916)**	**(60,731)**
Net (Income)/Expenditure	**(4,453)**	**(8,254)**
Share of corporate and democratic core	253	248
Net (Income)/Expenditure included in CIES	**(4,201)**	**(8,006)**
Gain on disposal of non-current assets	(3,490)	(4,299)
Changes in the fair value of investment properties	(2)	(9)
Investment property income	(34)	(35)
Interest payable	6,490	5,737
Interest receivable	(128)	(12)
Capital grants and contributions	(11,666)	(5,502)
Net interest on the net defined benefit liability	(716)	653
Share of Operating Income and Expenditure	**(9,545)**	**(3,468)**
(Surplus)/Deficit on the Provision of Services	**(13,746)**	**(11,474)**

HRA Rent Arrears and Bad Debt Provision

The dwellings rent arrears was £3.790 million at the end of March 2023 (£3.562 million end March 2022). Arrears as a proportion of gross rental income increased from 6.5% to 6.6%. The provision for bad debts is detailed in the table overleaf.

	2022/23 £'000	2021/22 £'000
Impairment 1 April 2022	**2,442**	**1,858**
Change in impairment charged to the HRA	545	653
Rent arrears and other bad debts written off	(325)	(69)
Impairment 31 March 2023	**2,662**	**2,442**

Value of HRA Assets held on the Balance Sheet

	31 March 2023 £'000	31 March 2022 £'000
Council dwellings	1,010,167	955,909
Other land and buildings	15,184	14,952
Assets Under Construction	37,902	20,039
Investment properties	286	285
Other	1,959	1,602
Total	**1,065,499**	**992,787**

HRA Stock/Dwellings

The council managed 11,818 dwellings end March 2023 (11,707 end March 2022).

2022/23	0 Bed No.	1 Bed No.	2 Bed No.	3 Bed No.	4+ Bed No.	Total No.
Bedsits	570	28	0	0	0	598
Bungalows	25	172	28	24	1	250
Flats	11	3,563	2,962	223	1	6,760
Houses	0	21	1,395	2,331	292	4,039
Maisonettes	0	2	98	65	6	171
Total Dwellings	**606**	**3,786**	**4,483**	**2,643**	**300**	**11,818**

2021/22	0 Bed No.	1 Bed No.	2 Bed No.	3 Bed No.	4+ Bed No.	Total No.
Bedsits	569	26	0	0	0	595
Bungalows	25	172	28	24	1	250
Flats	11	3,530	2,897	209	1	6,648
Houses	0	21	1,396	2,337	289	4,043
Maisonettes	0	2	98	65	6	171
Total Dwellings	**605**	**3,751**	**4,419**	**2,635**	**297**	**11,707**

This movement in council dwellings is as follows:

	2022/23 No.	2021/22 No.
Stock 1 April 2022	11,707	11,695
Sales	(39)	(48)
Conversions/new homes	150	60
Stock 31 March 2023	**11,818**	**11,707**

HRA Capital Investment and Financing

The council made £72.049 million of capital investment in the Housing Revenue Account (HRA) in 2022/23. The following table sets out the resources that have been used to finance that investment.

	2022/23 £'000	2021/22 £'000
Total Capital Investment	**72,049**	**50,768**
Major Repairs Reserve	(15,239)	(13,656)
Revenue contributions	(2,302)	0
Reserves	(1,063)	(3,815)
Capital receipts	(4,593)	(7,275)
Capital grants and contributions	(14,014)	(5,600)
HRA Borrowing	(25,000)	(20,000)
General Fund balance	(9,839)	(422)
Total Funding	**(72,049)**	**(50,768)**

Housing Capital Receipts

Receipts from the sale of HRA assets in 2022/23.

	2022/23 £'000	2021/22 £'000
Right to buy sales of houses and flats	6,514	8,228
Sale of land and other property	50	36
Total	**6,564**	**8,264**

Collection Fund Statement and Notes

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

Year Ended 31 March 2022		Year Ended 31 March 2023		
		Council Tax	Non Domestic Rates	Total
£'000		£'000	£'000	£'000
(185,775)	Council tax	(193,260)		**(193,260)**
(83,823)	Non-domestic rates		(104,349)	**(104,349)**
(269,598)		**(193,260)**	**(104,349)**	**(297,609)**
(540)	Transitional protection payments non-domestic rates		394	**394**
	Contributions towards previous year's Collection Fund deficit			
(35,796)	Central Government	0	(19,963)	**(19,963)**
(37,051)	Brighton & Hove City Council	(2,150)	(19,565)	**(21,715)**
(237)	Sussex Police & Crime Commissioner	(261)	0	**(261)**
(830)	East Sussex Fire Authority	(124)	(399)	**(523)**
(73,914)	**Contributions towards previous year's Collection Fund deficit**	**(2,535)**	**(39,928)**	**(42,462)**
(344,052)	**Total amount required by statute to be credited to the Collection Fund**	**(195,795)**	**(143,882)**	**(339,677)**
	Precepts and demands from major preceptors and the council - council tax			
155,965	Brighton & Hove City Council	163,704		**163,704**
19,233	Sussex Police & Crime Commissioner	20,513		**20,513**
8,719	East Sussex Fire Authority	9,063		**9,063**
183,917		**193,280**		**193,280**
	Shares of non-domestic rates income to major preceptors and the council			
60,559	Brighton & Hove City Council		52,362	**52,362**
1,236	East Sussex Fire Authority		1,069	**1,069**
61,795			**53,431**	**53,431**
61,795	Payment with respect to central share (including allowable deductions) of the non-domestic rates income to be paid to central government		**53,431**	**53,431**
	Impairment of debts / appeals for council tax			
1,124	Write off of uncollectable amounts	1,051		**1,051**
719	Allowance for impairment	736		**736**
1,843		**1,787**		**1,787**
	Impairment of debts / appeals for non-domestic rates			
95	Write off of uncollectable amounts		165	**165**
(63)	Allowance for impairment		35	**35**
32			**200**	**200**
(3,236)	Movement in the provision for business rates appeals		(4,592)	**(4,592)**
441	Charge to General Fund for allowable collection fund costs for non-domestic rates		446	446
(2,795)			**(4,146)**	**(4,146)**
306,587	**Total amount required by statute to be debited to the Collection Fund**	**195,067**	**102,916**	**297,983**
(37,465)	**Movement on the Collection Fund Balance**	**(727)**	**(40,967)**	**(41,695)**
81,466	**Opening Collection Fund Balance**	**4,309**	**39,692**	**44,001**
44,001	**Closing Collection Fund Balance**	**3,582**	**(1,275)**	**2,306**

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
	No.	No.		No.
Band A*	26	21.75	5/9	12.10
Band A	26,166	17,636.00	6/9	11,757.30
Band B	28,237	21,603.75	7/9	16,802.90
Band C	31,963	26,749.25	8/9	23,777.10
Band D	18,764	16,718.25	9/9	16,718.30
Band E	11,088	10,219.00	11/9	12,489.90
Band F	4,587	4,296.50	13/9	6,206.10
Band G	2,690	2,560.50	15/9	4,267.50
Band H	169	161.00	18/9	322.00
				92,353.20
Less provision for losses on collection				- 1,149.20
Tax Base for 2022/23				**91,204.00**
Tax Base for 2021/22				**89,493.00**

* Entitled to disabled relief reduction.

The estimated gross council tax yield (before the provision for losses in collection) for 2022/23 of £195.715 million was based on Band D equivalent dwellings of 92353.2 multiplied by the average Band D council tax charge £2119.20. The actual gross council tax yield for 2022/23 was £194.620 million is equivalent to a decrease of 517 Band D dwellings. The estimated and actual tax base amounts will also vary due as a result of to a number of factors; which these include, for example, the outcome effects of banding appeals, numbers of completed new residential properties and entitlements to exemptions and discounts. The year end deficit of £3.582 million results includes £1.791 million from the second and third year repayments for the deficit relating to Covid from 2020/21 that was allowed to be spread over three years from 2021/22. A further deficit relating to 2020/21 of £0.743 million outside of the three year spread will be funded in 2022/23. The remainder of the deficit is from a combination of increased value of exemptions and discounts with the main two being the backdated cost of severely mentally impaired exemption awards and an increasing council tax reduction discount caseload.

Collection Fund – Non-Domestic Rates

The authority is responsible for collecting non-domestic rates in Brighton and Hove. Under the Business Rates Retention Scheme, the authority retains 49% of the non-domestic rates income it collects. Of the remainder 50% is paid over to central government and 1% to the East Sussex Fire Authority. Non-domestic rates are charged based on the rateable value for business premises multiplied by the non-domestic multiplier. The total non-domestic rateable value at 31 March 2023 was £308.121 million (£308.684 million at 31 March 2022). The non-domestic multiplier for 2022/23 was 51.2p and the small business non-domestic multiplier was 49.9p.

Accounting Policies

General Principles

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

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

Prior period adjustments may arise due to a change in accounting policies or to correct a material error. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts and fraud. Changes in accounting estimates are accounted for prospectively (i.e. in the current and future financial years affected by the change) and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Accounting Concepts

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

Relevance: the financial statements are prepared with the objective of providing information about the council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

Materiality: the concept of materiality has been utilised in preparing the financial statements (i.e. if omitting or misstating information would affect the interpretation of the financial statements and influence decisions that users make).

Faithful Representation: the financial information included in the financial statements is complete within the boundaries of materiality, free from material error and free from deliberate or systematic bias.

Comparability: the financial statements are prepared in accordance with the requirements of the Code which establishes proper practice in relation to consistent financial reporting and aids comparability with other local authorities.

Verifiability: the financial information included in the financial statements faithfully represents the financial position, performance and cash flows of the council. The council includes explanations and disclosures of the judgements, assumptions, methodology and other factors and circumstances in preparing its financial statements.

Timeliness: the information included in the financial statements is available to decision makers in time to be capable of influencing their decisions.

Understandability: the financial statements are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to ensure that the financial information included in the financial statements is presented clearly and concisely and notes and commentaries are provided that explain and interpret the key elements of the financial statements for the user.

Going Concern: the financial statements are prepared on the assumption that the functions of the council will continue in operational existence for the foreseeable future. As Local Authorities cannot be created or dissolved without statutory prescription, the council must prepare its financial statements on a going concern basis.

Fair Value Measurement

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

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

School Transactions

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

Grants and Contributions

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

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

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

Revenue Recognition

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

Charges to Revenue for Non-Current Assets

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

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

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

Tax Income (Council Tax and Non-Domestic Rates)

Council Tax

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

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

Non-Domestic Rates

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

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

Value Added Tax (VAT)

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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on demand. The council defines cash equivalents as highly liquid investments which are no longer than three months and represent the investment of cash surpluses lent to cover cash shortages. They are readily convertible to known amounts of cash with insignificant risk of change in value. In terms of cash flow and treasury management, the council collectively manages its bank accounts under one umbrella, therefore the net cash position is shown either as cash, as part of cash and cash equivalents or bank overdraft on the Balance Sheet. Within the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management strategy. The council uses the indirect method to present its revenue activities cash flows, whereby the net surplus or deficit on the provision of services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

Employee Benefits

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

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

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

The Local Government Pension Scheme
The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the pension scheme attributable to the council are included on the balance sheet on an actuarial basis. The basis of calculation is the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees). Liabilities are discounted to their present value, using a discount rate (determined in reference to market yields at the balance sheet date of high quality bonds). The assets of the pension scheme attributable to the council are included on the balance sheet at their fair value and are quoted securities (current bid price),unquoted securities (professional estimate), unitised securities (current bid price) and property (market value). The change in the net pension liability of the council is analysed into:

Service cost comprising **current service cost** (the increase in liabilities as a result of years of service earned in the current financial year). This cost is allocated within the CIES to the services for which the employees worked and **past service cost** (the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier financial years). This cost is debited to non-distributed costs within the CIES.

Net interest on the net defined benefit liability (i.e. net interest expense for the council) (the change during the financial year in the net defined benefit liability that arises from the passage of time calculated by multiplying the net defined benefit liability by the discount rate both as determined at the start of the financial year taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit payments). This is charged to financing and investment income and expenditure within the CIES.

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

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

Provisions

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

Reserves

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

Contingent Liabilities and Contingent Assets

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

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

Overheads and Support Services

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

Property, Plant and Equipment (PPE)

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

Recognition
Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential

associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense to the relevant service within the CIES as it is incurred. The council has a de minimis level of £20,000 for land and buildings and vehicles, plant and equipment. Items of expenditure below this de minimis level are charged to the relevant service within the CIES in the year they are incurred. In certain cases, the council capitalises particular items of expenditure that is below its de minimis level (e.g. expenditure funded by grant where the conditions state that the grant should only be applied to capital items of expenditure). The council has no de minimis level for enhancement expenditure and therefore all enhancement expenditure is capitalised.

Measurement
PPE assets are initially measured at cost comprising purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the council, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The council does not capitalise borrowing costs incurred whilst assets are under construction. The costs of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). Assets are then carried on the balance sheet using the following measurement bases:

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

Assets included on the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the end of the financial year, but as a minimum every five years. Where, following revaluation of an individual land and / or building asset, the value drops below the de-minimis level, the de-minimis value of the asset is revalued downwards to nil. Increases in valuation are matched by credits to the revaluation reserve to recognise unrealised gains, unless the increase is reversing a previous revaluation decrease or impairment loss charged to services within the CIES in respect of the asset in which case the revaluation increase may be credited to the CIES.

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

Revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the Capital AA. 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, where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains) and where there is no balance for the asset in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service within the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service within the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. Impairment losses and reversals are not permitted by statute to have an impact on the General Fund/HRA balances therefore they are reversed out of the General Fund balance in the MiRS and posted to the Capital Adjustment Account.

Depreciation
Depreciation is applied to all PPE assets, except for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction). The depreciation charge is based on the depreciable amount allocated over the useful life of the asset, using a straight-line allocation method and is charged to the relevant services within the CIES.

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

HRA depreciation is a proper charge to the HRA however the impact on balances is mirrored by an equal increase in the Major Repairs Reserve (effectively a transfer from revenue to capital). The council does not charge depreciation in the year of acquisition but does charge a full year’s depreciation in the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, the council reclassifies the asset as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to other operating income and expenditure within the CIES. Gains in fair value are recognised only up to the

amount of any previous losses recognised within the CIES. Depreciation is not charged on assets held for sale.

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

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

Amounts received for a disposal in excess of £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 Capital Adjustment Account from the General Fund/HRA balance in the MiRS.

Asset Componentisation
The council only considers assets for componentisation in the financial year the assets are valued and / or in the year following capital investment being incurred on the asset. As the council does not depreciate assets in the year of acquisition, capital additions are not considered for componentisation until the following financial year. The council has a de-minimis threshold of £10 million for componentising General Fund assets; individual assets with a gross book value of less than £10 million are disregarded for componentisation. The de-minimis 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 a major component whose cost is significant in relation to the total cost of the item, the component is depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, the council groups these parts in determining the depreciation charge.

Heritage Assets

The majority of the council's heritage assets are reported on the balance sheet at current insurance valuations. These insurance valuations are updated on an annual basis. Acquisitions are recognised at cost. As heritage assets are deemed to have indeterminable lives and high residual value, the council does not charge depreciation for these assets. Revaluations, disposals and impairments are accounted for in accordance with the respective policies for PPE. The council has a de minimis level of £20,000 for heritage assets. Items of expenditure below this de minimis level are charged to the relevant service within the CIES in the financial year it is incurred.

Interests in Companies and Other Entities

An assessment of the council's interest in companies and other entities has been carried out during the year in accordance with the Code to determine the group relationships that exist. Group accounts are required where the council has interest in subsidiaries, associates and/or joint ventures, subject to consideration of materiality. The council has no material interest in companies and other entries which require it to prepare group accounting alongside its own financial statements.

Leases and Lease Type Arrangements

The council 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 (the Minimum Revenue Provision) via the Capital Adjustment Account 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 Capital Adjustment Account 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.

Private Finance Initiative (PFI)

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

Recognition
The PPE asset and related liability are recognised at the same time being the point that it is probable that future economic or service benefits associated with the asset will flow to the council and at the point that the cost of the asset can be measured reliably. This is when the asset is made available for use unless the council bears an element of the construction risk. Where this is the case, the council recognises an asset under construction prior to the asset being made available for use where it is probable that the expected future benefits attributable to the asset will flow to the council. Separate assets are recognised in respect of land and buildings where appropriate. PPE assets in relation to PFI arrangements recognised on the balance sheet are accounted for using the policies applied generally to other PPE owned by the council.

Measurement
For assets owned by the council prior to the PFI contract and then transferred to the operator as part of the contract, the asset is recognised at the fair value at the time the asset was transferred. For assets acquired or constructed by the operator under the contract, the asset is recognised at the cost of purchase or construction. This value is also used as the basis for calculating the liability for amounts due to the operator to pay for the assets. Where a PFI arrangement can be separated into a service element and a construction element, the service element is expensed as incurred and the construction element is accounted for as if it were a finance lease and allocated into an element relating to the repayment of the liability and an interest element in accordance with the arrangements for a finance lease. The interest element is charged as incurred to financing and investment income and expenditure within the CIES, with the balance of the payment used to reduce the outstanding liability on the balance sheet. After initial recognition, the asset is measured following the council's principles for assets acquired under a finance lease. The liability is measured in a similar manner to the liability resulting from a finance lease. The liability is reported as a financial liability but is measured under the *leases* accounting policy.

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

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

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

Prepayments/Capital Contributions/Income Received
Where PFI contracts are structured to require payments to be made (either as part of a unitary payment or as a lump sum contribution) before the related asset is recognised as an asset on the Balance Sheet, these payments are recognised as prepayments. The prepayments are applied to reduce the outstanding liability. Any prepayments and contributions are taken into account when estimating the fair value of the asset and liability and the separation of payments into the liability, interest and service charge elements. The council recognises any income received as a result of a revenue sharing clause with a PFI arrangement as it is earned. The council also recognises any income due from the operator under a PFI arrangement as it is earned over the life of the agreement.

Investment Property

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

Investment property is measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment property is measured at the highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to financing and investment income and expenditure within the CIES. The same treatment is applied to gains and losses on disposal.

General Fund revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £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.

Intangible Assets

Expenditure on intangible assets is capitalised when it is probable that the expected future economic benefits or service potential attributable to the asset will flow to and from the intangible asset to the council. Intangible assets are measured initially at cost. Expenditure incurred on an intangible asset after it has been recognised is charged to services within the CIES as it is incurred. Where the council acquires (either in full or in part) an intangible asset by the way of a government grant, both the asset and the grant or contribution are recognised initially at fair value. As there is no active market for the council's intangible assets, they are carried at amortised cost.

The council amortises intangible assets with a finite useful life over their expected useful life, using a straight-line allocation method. The provision of amortisation is charged to the relevant service within the CIES. The amortisation charge is not permitted to have an impact on the General Fund/HRA balance and therefore is reversed of the General Fund / HRA balance in the MiRS and posted to the CAA. The council does not charge amortisation in the year of acquisition but does charge a full year's amortisation in the year of disposal.
An intangible asset is derecognised on disposal or when no future economic benefits are expected from the asset. The gain or loss is recognised as other operating income and expenditure within the CIES. The gain or loss is not a proper charge to the General Fund / HRA balance therefore the amount of disposal proceeds (i.e. capital receipt) is credited to the capital receipts reserve with the write out of the asset being debited to the CAA. The cost of disposal in relation to the General Fund remains as a charge to the CIES against the General Fund balance; however, HRA disposal costs are met from capital receipts.

Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure (e.g. grants and expenditure on property not owned by the council) incurred by the council to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset; this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund/HRA balance and impact on council tax. Such expenditure is charged to the relevant service within the CIES. The council accounts for this statutory provision that allows capital resources to meet the expenditure by debiting the Capital Adjustment Account and crediting the General Fund/HRA balance with the transfer being reported in the MiRS.

Financial Assets and Liabilities - Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges for interest payable are charged to financing and investment income and expenditure within the CIES and are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument; for most cases this means that the amount presented on the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the loan agreement in the financial year. The council derecognises a financial liability when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

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

Where premiums and discounts have been charged or debited to the CIES, regulations allow the impact on the General Fund/HRA balance to be spread over future years. The council has a policy of spreading the gain and loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The difference between amounts charged to the CIES and the net charge required against the General Fund/HRA balance is managed by a transfer to or from the financial instruments adjustment account with the adjustment reported in the MiRS.

Financial Assets
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at amortised cost, Fair Value through Profit or Loss (FVPL) and Fair Value through Other Comprehensive Income (FVOCI). The council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where loans are made at less than market rates (soft loans), a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the balance sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MiRS. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)
Financial assets that are measured at FVPL are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the

financial assets are based on the following techniques - instruments with quoted market prices, the market price and other instruments with fixed and determinable payments and discounted cash flow analysis. The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets available at the measurement date;

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly and;

Level 3 inputs – unobservable inputs for the asset.

For pooled investment funds (i.e. money market fund, collective investment scheme as defined in section 235 (1) of the Financial Services and Markets Act 2000, investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961 (local authority schemes)) regulations allow a statutory override (for a period of five years from 1 April 2018). Any unrealised gains or losses can be transferred via the MiRS to a Pooled Investment Funds Adjustment Account in the balance sheet. Any gains and losses that arise on de-recognition of the asset are debited or credited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Losses (ECL)

The council recognises expected credit losses (impairments) on financial assets held at amortised cost or FVOCI either on a 12 month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses. The expected credit loss model applies to financial assets measured at amortised cost and FVOCI, trade receivables, lease debtors, third party loans and financial guarantees.

A simplified approach is applied to trade receivables and lease debtors whereby consideration of changes in credit risk since initial recognition are not required and losses are automatically recognised on a lifetime basis. A collective assessment is made for groups of instruments where reasonable and supportable information is not available for individual instruments without undue cost or effort. The aim will be to approximate the result of recognising lifetime expected credit losses if significant increases in credit risk since recognition had been measurable for the individual instruments. Loans are grouped into three types for assessing loss allowances:

Group 1 – loans made to individual organisations. Loss allowances for these loans can be assessed on an individual basis;

Group 2 – loans supported by government funding. As the loan repayments are recycled and the contract allows for a level of default then no additional impairment loss is required and;

Group 3 - car loans to employees. Loss allowances are based on a collective assessment.

Impairment losses are debited to the Financing and Investment Income and Expenditure line in the CIES. For assets carried at amortised cost, the credit entry is made against the carrying amount in the balance sheet. For assets carried at FVOCI, the credit entry is recognised in Other Comprehensive Income against the Financial Instruments Revaluation Reserve. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. Impairment losses are not applicable to FVPL assets as the future contractual cash flows are of lesser significance and instead current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value, including those relating to credit risk, impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services as they arise. Impairment losses on loans supporting capital purposes, lease debtors and share capital are not a proper charge to the General Fund balance and any gains or losses can be reversed out through the MiRS to the Capital Adjustment Account.

Debt Repayment/Redemption

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

For debt where the government provides revenue support, the council sets aside a sum of 2% of the notional debt relating to capital investment but excluding capital investment on the HRA housing stock because there is no housing subsidy payable on these repayments. For debt where no government support is received, the council sets aside a sum equivalent to repaying debt over the life of the asset in equal annual instalments.

For finance leases and on balance sheet PFI contracts, the MRP requirement is regarded as met by a charge equal to the element of the lease payment or unitary charge that is applied to write down the balance sheet liability in the financial year. In addition, the council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefits that may accrue to the council.

Events after the Reporting Period

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

> **adjusting events** - those events that provide evidence of conditions that existed at the end of the financial year. In this instance, the financial statements are adjusted to reflect such events and;
> **non adjusting events** - those events that are indicative of conditions that arose after the year end. In this instance, the financial statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Joint Operations

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

Glossary of Terms

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

Accruals basis is the recognition of items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the year in which those effects are experienced and not necessarily in the period in which any cash is received or paid.

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

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

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

Amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method (i.e. a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period) of any difference between that initial amount and the maturity amount, and minus any reduction or impairment or uncollectability.

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

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

Audit of financial statements is an examination by an independent expert of the council's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Available for sale financial asset is a non-derivative financial asset that is not classified as loans and receivables, held to maturity investments or held for trading.

Available for Sale Financial Instruments Reserve records the unrealised revaluation gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments.

Balance sheet shows the value of the assets and liabilities recognised by the council 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 and benefits earned by current employees but not expected to be settled wholly before 12 months after the year end in which the employees render the related service, such as long service leave and long term disability benefits.

Budget expresses the council's service delivery plans and capital investment programmes in monetary terms.

The **Capital Adjustment Account (CAA)** absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The **Capital Financing Requirement** is the capital investment funded from borrowing which has yet to be repaid.

The **Capital Grants Unapplied Account (reserve)** holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The reserve also holds grants and contributions received towards capital projects for which there are no conditions for repayment attached where expenditure has yet to be incurred.

Capital Investment is expenditure on the acquisition of an asset that will be used to provide services beyond the financial year or expenditure which adds to and not merely maintains the value of an existing non-current asset.

The **Capital Investment Programme** is a financial summary of the capital projects that the council intends to carry out over a specified period of time.

A **Capital Receipt** is the proceeds from the sale of an asset.

The **Capital Receipts Reserve** holds the proceeds from the disposal of non-current assets, which are restricted by statute from being used other than to fund new capital investment or to be set aside to finance historical capital investment.

Capital Reserves represent resources earmarked to fund capital schemes as part of the council's capital investment strategy.

The **Carbon Reduction Commitment (CRC) Energy Efficiency Scheme** obligates the council to purchase and surrender CRC allowances in relation to carbon dioxide emissions.

The **Carrying Amount** is the amount at which an asset is recognised on the Balance Sheet after deducting any accumulated depreciation (or accumulated amortisation) and accumulated impairment losses.

Cash comprises cash in hand and demand deposits.

Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows are the inflows and outflows of cash and cash equivalents.

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the council during the financial year.

The **Collection Fund** is a separate fund recording the expenditure and income relating to council tax and non-domestic rates.

The **Collection Fund Adjustment Account** is used specifically to manage the accounting processes for council tax and non-domestic rates.

The **Commencement of the Lease Term** is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease).

Community Assets are assets that the council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.

The **Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

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 and any subsequent sale would be subject to all of the above assumptions.

Exit Packages are departure costs paid to former employees who negotiate a package as part of their terms of leaving the council.

The **Expenditure and Funding Analysis** shows how the available funding (i.e. government grants, rents, council tax and non-domestic rates) has been used in providing services in comparison with those resources consumed or in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the service directorates.

Expenses are decreases in economic benefits or service potential during the year in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves.

Experience Adjustments (Pensions) are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participates at the measurement date.

Fees, Charges and Other Service Income includes customer and client receipts including, for example rents and other fees and charges and grants received from non-government bodies and other contributions received by the council.

Fee Expense (Financial Instruments) represents the cost of managing the council's debt and investment portfolios, including internal costs and external brokerage.

Fee Income (Financial Instruments) represents the contribution received from external bodies in respect of the management of that bodies' cash portfolio.

A **Finance Lease** is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

A **Financial Asset** is any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A **Financial Liability** is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

A **Financial Instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity and includes trade payables and other payables, borrowings, bank deposits, trade receivables, loans receivable; other receivables and advances and investments.

The **Financial Instruments Adjustment Account** provides a specific accounting mechanism to reconcile the different rates at which gains and losses are recognised under proper accounting practices for borrowing and investments and are required by statute to be met from the General Fund balance.

Financing Activities are activities that result in changes in the size and composition of the principal received from or repaid to external providers of finance.

The **General Fund** is the statutory fund into which all the receipts of the council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise.

The **General Fund Balance** summarises the resources that the council is statutorily empowered to spend on its General Fund services or on capital investment (or the deficit of resources that the council is required to recover) at the year end.

Going Concern defines that the functions of the council will continue in operational existence for the foreseeable future.

Government Grants are grants made by the Government towards either revenue expenditure or capital investment to support the cost of the provision of the council's services.

Grants and Contributions are assistance in the form of transfers of resources to the council in return for past or future compliance with certain conditions relating to the operation of activities.

A **Heritage Asset** is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

Historical Cost is the carrying amount of an asset 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 to be consumed or distributed in the rendering of services, held for sale or distribution in the ordinary course of operations and/or in the process of production for sale or distribution.

Investing activities are activities relating to the acquisition and disposal of non-current assets and other investments not included in cash equivalents.

Investment Property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of operations.

A **Lease** is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed time period.

The **Lease Term** is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payments, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

A **Liability** is a present obligation of the council arising from past events, the settlement of which is expected to result in an outflow from the council of resources embodying economic benefits or service potential.

Lifecycle Payments are the element of the unitary charge which reflects expenditure incurred by the PFI provider in the financial year to enhance, renew and maintain PFI assets.

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the entity intends to sell immediately or in the near term (held for trading); or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration (available for sale).

Long Term Borrowing is loans raised to finance capital investment which have to be +repaid over a period in excess of 12 months from the year end.

The **Major Repairs Reserve** holds an element of the capital resources required to be used on HRA assets or for capital financing purposes.

Materiality - omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP) is the minimum amount which must be charged each year in order to provide for the repayment of loans and other amounts borrowed by the council.

The **Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the council, analysed into usable reserves and other reserves.

The **Net Defined Benefit Liability (Pensions)** is the deficit, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The **Net Interest on the Net Defined Benefit Liability (Pensions)** is the change during the period in the net defined benefit liability that arises from the passage of time.

The **Net Realisable Value** is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

A **Non-Current Asset** is an asset that does not meet the definition of a current asset and has a long term benefit to the council.

Non-Domestic Rates (NDR) is a scheme for collecting contributions from businesses towards the cost of local government services.

Non Ring Fenced Government Grants are revenue grants distributed by central government that do not relate to the performance of a specific service.

An **Operating Lease** is a type of lease (e.g. computer equipment, office equipment, furniture) where the balance of risks and rewards of holding the asset remains with the lessor.

Operating Activities are the activities of the council that are not investing or financing activities.

Other Comprehensive Income and Expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the surplus or deficit on the provision of services as required or permitted by the Code. Examples include changes in revaluation surplus; actuarial gains and losses on defined benefit schemes; and gains and losses on remeasuring available for sale financial assets.

Other Service Expenses include premises expenses including all running costs, expenditure on goods, services and contractors directly related to property and land, transport expenses including all costs connected with the provision, hire or use of transport for employees and clients, supplies and services covering all direct supplies and services expenditure incurred, third party payments including, for example, payments to third party providers of local authority services (e.g. payments to government departments, voluntary associations, private contractors and other agencies), transfer payments including, for example, education awards paid to school pupils and students in further education, housing benefits and capital financing costs including costs of unsupported borrowing.

Owner Occupied Property is property held (by the owner or by the lessee under a finance lease) for use in the delivery of services or production of goods or for administrative purposes.

The **Past Service Cost (Pensions)** is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction of, or withdrawal of, or changes to, a defined benefit scheme) or a curtailment (a significant reduction by the council in the number of employees covered by a scheme).

The **Pension Reserve** is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net charge in the council's recognised liability under IAS 19 "Employee Benefits", for the same period.

Pooled Budgets are formal arrangements under Section 75 of the National Health Service Act 2006, between local authorities and primary care trusts, to share the costs of various services which overlap in terms of the responsibilities of the various authorities. One council hosts the entire activity for the partnership, and the other parties contribute towards the total costs on an agreed basis.

Post-Employment Benefits are employee benefits (other than termination benefits and short term employee benefits) that are payable after the completion of employment.

Post-Employment Benefit Plans (Schemes) are formal (or informal) arrangements under which the council provides post-employment benefits for one or more employees.

A **Precept** is a levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf, such as the Sussex Police & Crime Commissioner and the East Sussex Fire Authority.

The **Present Value of a Defined Benefit Obligation (Pension)** is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

A **Private Finance Initiative (PFI)** is a long term contractual public private partnership, under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.

Property, Plant and Equipment (PPE) are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and which are expected to be used during more than one period.

A **Provision** is a liability of uncertain timing or amount.

The **Public Works Loan Board (PWLB)** is a central government agency which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.

A **Qualified Valuer** is a person conducting the valuations who holds a recognised and relevant professional qualification and having sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

The **Recoverable Amount (in respect of assets)** is the higher of fair value less costs to sell (i.e. not selling price) and its value in use.

Related Party - parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

A **Related Party Transaction** is a transfer of resources or obligations between related parties, regardless of whether a price is charged.

Reserves are the residual interest in the assets of the council after deducting all its liabilities.

The **Residual Value** is the estimated amount that the council would currently obtain from the disposal of an asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The **Revaluation Reserve** contains the unrealised revaluation gains arising from increases in the value of its revalued non-current assets (excluding investment property which is posted to the CAA).

Revenue is the gross inflow of economic benefits or service potential during the year when those inflows result in an increase in the council's net assets.

Revenue Expenditure is the day to day running costs relating to the financial year irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

Revenue Expenditure Funded from Capital under Statute is revenue expenditure incurred that may be funded from capital resources under statutory provisions but does not result in the creation of non-current assets.

The **Return on Scheme Assets (Pensions)** is dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets less any costs of managing plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

Ring Fenced Government Grants are revenue grants distributed by central government that relate to a specific service.

A **Scheme Amendment (Pensions)** occurs when the council introduces or withdraws a defined benefit scheme or changes the benefits payable under an existing defined benefit scheme.

Scheme Assets (Pensions) comprise assets held by a long-term employee benefit scheme.

Scheme Liabilities (Pensions) comprise liabilities in relation to a long-term employee benefit scheme.

Settlements (Pensions) is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short Term Borrowing is a sum of money borrowed for a period of less than one year.

Short Term Paid Absences are periods during which an employee does not provide services to the council, but benefits continue to be paid.

Short Term Employee Benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the year end in which the employees render the related service.

Surplus Assets are those assets that are surplus to service needs but do not meet the definition of either an investment property or assets held for sale.

The **Surplus / Deficit on the Provision of Services** is the total of income less expenses, excluding the components of other comprehensive income and expenditure.

A **Tangible Asset** is an asset that has a physical form.

Termination Benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the council's decision to terminate an employee's employment before the normal retirement date, or the council's decision to accept an offer of benefits in exchange for the termination of employment.

The **Third Sector** includes a range of organisations e.g. voluntary and community organisations.

Total Comprehensive Income and Expenditure comprises all components of surplus or deficit on the provision of services and of other comprehensive income and expenditure.

Trust Funds are funds administered by the council for such purposes as prizes, charities and specific projects.

The **Unitary Charge** is the amount payable to the PFI contractor, by the council, for the provision of works and services as defined in each PFI contract.

Unsupported Borrowing is borrowing for which no financial support is provided by central government.

Unusable Reserves are those reserves that the council is not able to use to provide services and includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the MiRS as adjustments between accounting basis and funding basis under regulations.

Usable Reserves are those reserves that can be used to provide services and / or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Useful life is the period which a non-current asset is expected to be available for use by the council.

Value Added Tax (VAT) is an indirect tax levied on most business transactions and on many goods and some services.

Printed and published by
Brighton & Hove City Council

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