AUDIT & STANDARDS COMMITTEE ADDENDUM

4.00PM, TUESDAY, 29 NOVEMBER 2022

COUNCIL CHAMBER, HOVE TOWN HALL

Agendas and minutes are published on the council's website www.brighton-hove.gov.uk. Agendas are available to view five working days prior to the meeting date.

Electronic agendas can also be accessed through our meetings app available through ModernGov: iOS/Windows/Android

ADDENDUM

Brighton & Hove City Council

Audit & Standards Committee

Agenda Item 22

Subject: **Audit Findings Report 2021/22**

Date of meeting: **29 November 2022**

Report of: **Chief Finance Officer**

Contact Officer: **Name: Darren Wells (Grant Thornton)**
Email: Darren.J.Wells@gt.uk.com

Ward(s) affected: **All**

For general release

Note: Reasons for urgency

The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that were that there were a small number of queries in relation to the external audit of the accounts requiring resolution before the audit could be concluded and the findings finalised.

1. Purpose of the report and policy context

1.1 The Audit Findings Report sets out the findings of the 2021/22 audit by the council's appointed auditor, Grant Thornton, which is now substantially complete. It includes the key messages arising from the audit of the financial statements and the results of work undertaken to assess the Authority's arrangements to secure value for money in its use of its resources.

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

2. Recommendations

2.1 That Committee note the findings set out in the 2021/22 Audit Findings Report and asks questions of the auditor as necessary and raises any other matters relevant to the audit of the financial statements.

3. Context and background information

3.1 The council's 2021/22 Statement of Accounts is required under statute and regulation to be published in draft by 31 July 2022 (this deadline was met) and in final audited version by 30 November 2022. Committee consideration of the audit findings and the final 2021/22 Statement of Accounts (elsewhere on this agenda) are part of meeting the legal requirements prior to final publication.

4. Analysis and consideration of alternative options

4.1 Not applicable.

5. Community engagement and consultation

5.1 The draft 2021/22 Statement of Accounts were published/made available on the council's website by the 31 July 2022 deadline for public inspection.

6. Conclusion

6.1 The external auditor's feedback on the council's 2021/22 Statement of Accounts is set out in their Audit Findings Report.

7. Financial implications

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

Finance officer consulted: James Hengeveld Date consulted: 22/11/2022

8. Legal implications

8.1 The legal framework for approving the council's statement of accounts is provided by regulation 9 of the Accounts and Audit Regulations 2015 (statutory 129 instrument 2015/234) as amended by the Accounts and Audit (Amendment) Regulations 2021 (statutory instrument 2021/263). The Regulations permit either Full Council or a committee of the council to approve the statement of accounts. At Brighton & Hove Council, the Audit & Standards Committee is the designated committee for this purpose. Consideration of the auditor's findings as set out in their report at Appendix 1 is commensurate with this duty.

Name of lawyer consulted: Liz Woodley Date consulted: 22/11/2022

9. Equalities implications

9.1 Not applicable.

10. Sustainability implications

10.1 Not applicable.

11. Other Implications

11.1 Not applicable.

Supporting Documentation

1. Appendices
Appendix 1 Grant Thornton 2021/22 Audit Findings Report.

2. Background documents
Brighton & Hove City Council Audited Statement of Accounts 2021/22 (provided elsewhere on this agenda).

The Audit Findings for Brighton and Hove City Council

Year ended 31 March 2022

Brighton and Hove City Council

29 November 2022

Contents

Your key Grant Thornton team members are:

Darren Wells
Key Audit Partner
E Darren.J.Wells@uk.gt.com

Andy Conlan
Senior Manager
E Andy.N.Conlan@uk.gt.com

Thomas Pattison
Assistant Manager
E Thomas.Pattison@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Name : Darren Wells
For Grant Thornton UK LLP
Date : 29 November 2022

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Brighton and Hove City Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Our audit work was completed via a combination of on site and remote working during July-November. Our findings are summarised on pages 8 to 23. We have not identified in our audit work completed to date any adjustments to the financial statements which would result in adjustment to the Authority's Comprehensive Income and Expenditure Statement. This reflects that the accuracy and completeness of the draft statement of accounts presented for audit were of a high quality. Audit adjustments are detailed in Appendix A.

We have previously reported to the Audit and Standards Committee that the public audit sector has had significant challenges in recent years, as regulatory oversight has increased significantly, meaning that firms carrying out these audits have had to increase the level of audit work and the depth/quality of that work to respond effectively. This has increased the volume of testing and follow up queries that our teams pose, and year on year means that the audit has significantly more challenge and auditor scepticism built into our work programmes and file review to ensure the high quality of audit work. Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector. This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme. The exercise has taken into account the above challenges to investment in and sustainability of the public sector audit market, and this has been reflected in significant increases in audit fees within that contract.

Our audit was started as planned on the 7 July, working papers were provided as requested and our samples were picked and shared with the Authority finance team principally in late July (83%) and early August (17%). A large proportion of the audit is dependent on audit sample testing and audit conclusions can only be safely drawn once all requested samples have been received, processed and evaluated. Typically, we agree with audited bodies a target response time of up to 5 days. The average response time this year for the audit was 24 days with a range across the total requested samples of 1 to 52 days. We note there are a number of factors contributing to this position, including: the capacity of the finance team to respond alongside other work commitments; a finance team staff resignation part way through the audit; August as a month when staff are taking leave; the experience of the audit team and their lack of knowledge of BHCC which would have increased the demands on the finance team.

The impact on returns and responses to audit queries has delayed completion of the audit,. We will, as is customary, have a debrief with the finance team at the end of the audit to discuss and agree what both teams can do to improve audit efficacy given the capacity available to both teams and the overall challenges of resourcing public audits. Part of the debrief will be a discussion with the Chief Finance Officer on a proposed audit fee variance for additional audit team resource needed to complete the audit that were outside of the audit team's control. A fee variance once discussed will be communicated to BHCC and submitted to PSAA Ltd for evaluation.

Our work is substantially complete and there are no matters of which we are aware from the work to date that would require modification of our audit opinion (Appendix C) or material changes to the financial statements, subject to the following outstanding matters:

- Closing a small number of audit queries where responses have been returned by the Authority and the Audit Team are processing the responses to conclude;
- Receipt of five third party confirmations from banks and investment/borrowing counterparties, which have been chased both by the Audit Team and by the Authority Finance Team;
- Manager and Engagement Lead review of the assessment of the potential value of assets not revalued at 31 March 2022 against management's assessment to conclude whether the movement could be material. This estimate is very sensitive to the market indices applied;
- Obtaining assurances from the auditor of East Sussex Pension Fund as to the completeness and accuracy of data provided by the Pension Fund administrator;

(continued below)

1. Headlines (continued)

(continued)

- Manager and Engagement Lead final review of completed audit work which could raise additional audit queries and challenge;
- Receipt of management representation letter; and
- Review of a final set of updated financial statements.

The findings in this report are therefore reported at a stage where the audit is substantially complete, and the Audit Team and Council Team are working closely and collaboratively, to complete the outstanding items. There are currently no matters of which we are aware that would require modification of our audit opinion (Appendix C) or material changes to the financial statements, subject to the completion of the outstanding work set out above. Note that due to the national issue around infrastructure assets affecting all local government audits where infrastructure assets are material, we will not be able to sign our audit opinion until this matter is resolved by the CIPFA implementation of a statutory override – see page 13 for more detail on this matter.

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

Our anticipated audit report opinion will be unmodified based on the work to date.

Value for Money (VFM) arrangements

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

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

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix D to this report. We expect to issue our Auditor's Annual Report before the end of December 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. During our VFM fieldwork we have identified a risk of significant weakness in respect of financial sustainability. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

1. Headlines (continued)

Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. As the Council has a very material infrastructure asset balance that we will not be able to issue our opinion until the national issue around infrastructure assets is resolved by CIPFA's implementation of a statutory override which is expected to be in place by the end of December. All outstanding work on page 3 will also need to be completed. We have completed the majority of work under the Code, however the above VFM work is still ongoing, and the Whole of Government Accounts (WGA) procedures also need to be completed before we can certify the closure of the 2021/22 audit.
Significant Matters	As noted above, there have been significant delays in obtaining support for our audit samples to complete our sample testing, and in receiving responses to other audit queries. This has delayed completion of the audit significantly.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you in April 2022.

Conclusion

We have substantially completed our audit of your financial statements and subject to the outstanding work on page 3 being resolved/completed.

Based on the work to date no material errors or issues have arisen which would require modification of our audit opinion. We will not be able to issue our audit opinion until all outstanding work on page 3 is completed and reviewed, and the national issue around infrastructure is resolved.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The audit continues to be delivered by both the Authority and Audit teams partly remotely which does require alternative technology based ways of reviewing audit evidence to be adopted. However, by working on site for 2 days a week this has helped to mitigate some of the difficulties of auditing remotely.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in April 2022.

We detail in the table adjacent our determination of materiality for the Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	13.25m	We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year.
Performance materiality	9.93m	The maximum amount of misstatement the audit team could accept in an individual account or group of related accounts. This is less than materiality due to "aggregation risk".
Trivial matters	0.66m	We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance
Materiality for cash and cash equivalents	£0.5m	Our assessment of what users would consider to be material with respect to cash.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
ISA240 fraudulent revenue recognition	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have considered all revenue streams of the Council and we have rebutted this risk for all revenue streams. For revenue streams that are derived from Council Tax, Business Rates and Grants we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula based income from central government and tax payers and that opportunities to manipulate the recognition of these income streams is very limited. For other revenue streams, we determined from our experience as your auditor from the previous years, and through our documentation and walkthrough of your business processes around revenue recognition that the risk of fraud arising from revenue recognition could be rebutted, because: - there is little incentive to manipulate revenue recognition; - opportunities to manipulate revenue recognition are very limited; - the culture and ethical frameworks of local authorities, including Brighton & Hove City Council, mean that all forms of fraud are seen as unacceptable. No circumstances have subsequently arisen during the course of the audit process which would lead us to amend our initial assessment as reported in the Audit Plan. Notwithstanding that we did not consider there to be a material fraud risk, we have tested all the material income streams of the Council. Subject to satisfactory resolution of matters identified on page 3, our audit work has not identified any issues so far in respect of revenue recognition.
Fraudulent expenditure recognition	We also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We considered each material expenditure area, and the control environment for accounting recognition. We were satisfied that this did not present a significant risk of material misstatement in the 2021/22 accounts as: - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; - We have not found significant issues, errors or fraud in expenditure recognition in the prior years audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. No circumstances have subsequently arisen during the course of the audit process which would lead us to amend our initial assessment as reported in the Audit Plan. Notwithstanding that we did not consider there to be a material fraud risk, we have tested all the material expenditure streams of the Council. Subject to satisfactory resolution of matters identified on page 3, our audit work has not identified any issues so far in respect of expenditure recognition.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: - evaluated the design effectiveness of management controls over journals; - analysed the journals listing and determined the criteria for selecting high risk unusual journals ; - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. Our audit work has not identified any further issues in respect of management override of controls, although this work is still subject to quality review by senior audit staff.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of the pension fund net liability - assumptions applied by the professional actuary in their calculation

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (approximately £268.7 million in the Authority's balance sheet at the 31 March 2022) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in either of these two assumptions would have approximately 2% effect on the liability.

We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation (we would reconsider this if it becomes apparent at the year-end that there significant special events relating to the source data (such as bulk transfers, redundancies or other significant movements of staff) which would need to be given special consideration during the audit. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.

Commentary

For the significant risk, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their new management expert (the actuary Barnett Waddingham) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

We have also:

- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.

We still need to obtain assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. The work to provide these assurances is nearing completion.

In carrying out our work on Level 3 investments in the Pension Fund we test in detail the valuation of those investment (of which a share forms part of the net liability for the Council), and this demonstrated that the final valuation at 31 March 2022 was different to the valuation of assets provided to the actuary for the purposes of producing the IAS19 valuations. This is due to the necessary timing of providing this information; the pension fund administrator needs to provide investment valuations at a point in time that allows IAS19 valuations to be produced for other bodies' financial statements. This requires them to provide an earlier valuation adjusted for subsequent cash activities to the year end date for each fund manager. In most cases this results in a materially accurate value for investments, but where there is significant market value movement in the interim this can result in a valuation difference. The difference is immaterial. The understatement of assets for the Council was £3.9m and therefore the net liability was overstated by this amount. This is below our performance materiality, and therefore we are satisfied the net liability is not materially misstated – we have shown this error in unadjusted misstatements, see Appendix A.

Our audit work to date has not identified any further issues in respect of valuation of the pension fund net liability.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (including investment properties) You revalue your operational land and buildings on a rolling five yearly basis and your investment properties every year. The valuation of these assets represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as a significant risk, particularly focused/pin-pointed on the valuers' key assumptions and inputs to the valuations. For assets not revalued in the year management must ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date.	For the significant risk, we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation experts engaged in the different valuation estimates which are part of land and buildings; • written to the valuers to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code; • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; • assessed how management have challenged the valuations produced internally, by professional valuers and by independent property managing consultants to assure themselves that these represent the materially correct current value; • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register; • evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; • engaged an auditor's expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used. On all material areas of land and buildings which were revalued during the year we have reviewed and challenged the valuations method, and key assumptions and inputs into the valuation estimate. We have shown our detailed analysis and review of the estimation process in the key judgement and estimates section. Our audit work so far has not identified any issues in respect of valuation of land and buildings. However this work is still in progress and outstanding items are included on page 3.

16

2. Financial Statements – new issues and risks

This section provides commentary on new issues and other risks:

Issue	Commentary	Auditor view
Accuracy and accounting for Private Finance Initiative (PFI) liability	You have assets financed through PFI schemes (Schools, Library and waste management services assets). PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information. We therefore identified the accuracy and presentation of your PFI schemes as a risk for the audit.	We have: • reviewed your PFI models and assumptions contained therein; • obtained an understanding of any changes to PFI contracts made since the prior year; • compared the your PFI models to the prior year to identify any changes; • reviewed and tested the output produced by your PFI models to generate the financial balances within the financial statements; • reviewed the disclosures relating to your PFI schemes for compliance with the Code and the International Accountancy Standard IFRIC 12. Subject to satisfactory resolution of matters identified on page 3, our audit work has not identified any issues in respect of this risk.
Accounting for grant revenues and expenditure correctly	The Council (similar to all other Local Authorities) has been the recipient of significant increased grant revenues during the 2021/22 year relating to Covid-19. In common with all grant revenues, the Council will need to consider for each type of grant whether it is acting as agent or principal, and depending on the decision how the grant income and amounts paid out should be accounted for.	We have: • evaluated your accounting policy for recognition of grant income/expenditure for appropriateness and compliance with LG Code of Practice; • reviewed and sample tested grant income/expenditure to supporting evidence corroborating the arrangements and conditions for the grants and whether the Council is acting as agent or principal. Subject to satisfactory resolution of matters identified on page 3, our audit work has not identified any issues in respect of this risk.

2. Financial Statements – new issues and risks (continued)

Issue	Commentary	Auditor view
Valuation of Infrastructure Assets The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. The Council has material infrastructure assets, at a gross and net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.	We have carried out audit inquiries to understand the control environment around the recognition and derecognition of infrastructure assets. In common with most other authorities there is not a clear mechanism by which existing infrastructure assets which still have a net book value on the balance sheet being depreciated are derecognised when the asset is replaced. There is therefore a risk that the infrastructure assets (both the gross assets and accumulated depreciation) could be materially misstated – the Council's system for derecognising these assets does not sufficiently mitigate this risk. As there is not a system by which the Council could accurately identify which infrastructure asset has been replaced (the Council instead relying on the useful economic lives being an accurate lifetime for the assets so they would be depreciated in full at approximately their replacement cycle) it is not possible to quantify what the misstatement could be. We note the Council has derecognised £47.1m of infrastructure assets on the balance sheet which were fully depreciated and at Nil net book value, so were at net Nil book value on the balance sheet.	This is a national issue effecting all local government audits. CIPFA are in the process of implementing a statutory override in this area of the accounts. This is expected to be introduced by the end of December 2022, and once this is in place we will be able to sign the audit opinion. In the meantime due to it not being possible to quantify what the potential misstatement could be, we are not able to sign the audit opinion without the statutory override.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £955m	The Council owns 11,707 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council engaged a professional valuer to complete the valuation of these properties. The year end valuation of Council Housing was £955m, a net decrease of £43m from 2020/21 (£912m).	We assessed the work of management's expert, in particular the method applied to confirm that it aligned to DCLG Stock Valuation for Resource Accounting guidance. We reviewed the process for the selection of beacons to confirm this was reasonable to ensure representative dwellings would be selected for full inspection as part of the beacons methodology. We reviewed the completeness and accuracy of the underlying information used to determine the estimate. We tested a sample of beacons revalued by comparing the valuation to expectations as set by the value of similar properties for sale in the local area and by property indices provided by our auditor's expert. Where the professional valuer had applied a desktop indexation to groups of dwellings which had not been selected for beacon valuation, we have reviewed and challenged the reasonableness of the index applied through discussion with the valuer to understand the assumptions made to conclude this index was applicable. We were satisfied that the beacons methodology was applied correctly by the authority and the valuer. The valuation method had not changed from previous years. Our sample testing of beacons showed that the selection of properties for full inspection was reasonable. Subject to satisfactory resolution of matters identified on page 3, our audit work has not identified any issues in respect of this estimate.	Currently no issues highlighted, but subject to completion of the outstanding audit procedures detailed on page 3.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Other - £732.3m Investment Properties - £58.1m	Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. Other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Investment properties are measured at fair value. The Council engaged several different valuers to complete the valuation of properties, some at 1 April 2021 and some at 31 March 2022 on a five yearly cyclical basis. 59% of OLB assets or £439m were revalued during 2021/22. The Council produced an impairment statement and market review, where no material impairments were noted in 2021/22. The Council also produced working papers showing the estimated movement for assets not valued in 2021/22 and those assets revalued at 1 April 2021 were not materially misstated as at 31 March 2022. Management assessed that these assets could be £10.5m greater than their carrying value in the balance sheet as at 31 March 2022, which is below the audit materiality indicating the values are materially correct. The total year end valuation of Other Land and Buildings was £732.3m, a net increase of £44.8m from 2020/21 (£687.5m).	We assessed the work of management's experts; in particular, their competency, objectivity and expertise and the valuation methods and assumptions applied. We confirmed their objectivity and expertise. We engaged an auditor's expert to provide us with expertise in assessing the valuation reports of the Council's valuer responsible for valuing £438m of OLB assets revalued in 2021/22, and we also engaged an auditor's valuation expert for expertise in assessing the method and assumption used by the Council's professional valuers in valuing the investment properties. Through this challenge with the key OLB and Investment Property valuers, we were able to conclude that the valuation methodology and assumptions made by the valuers were reasonable and appropriate with reference to the CIPFA Local Government Code 2021/22and RICS –Valuations Global Standards. We noted no changes to the valuation method or departures from the RICS code for all valuers. We reviewed the completeness and accuracy of the underlying information used to determine the estimate. This included: testing the accuracy of floor plans areas provided to the valuers; querying yield percentage rates used by the valuer by requesting comparable market evidence; recalculating the capitalisation of rental income in fair value valuations to ensure accuracy; using transactional data to review for reasonableness of valuer estimate. For investment properties we reviewed the completeness and accuracy of rental income information, and the reasonableness of yield percentages applied in calculating the fair value. We have also assessed the appropriateness of the valuation method, the type of inspection performed, the assumptions made in respect of obsolescence and any assumptions made in respect of local factors. Where possible, we have engaged with valuers to understand the valuation process, including the final calculations to satisfy ourselves that the valuers' estimates have a reasonable basis. In our sample testing of OLB assets and investment properties, we have not identified any significant discrepancies in the valuers' calculations, in the source data or in the accounting treatment of the revaluation. Note however, as per page 3 that this work is subject to senior management review. To gain further assurance on the movement of assets not revalued in 2021/22 and assets valued at 1 April 2021, we make our own assessment of the potential value of these assets as at 31 March 2022 comparing against management's assessment to conclude on whether the potential estimated movement on these assets was material. Subject to satisfactory resolution of matters identified on page 3, we are satisfied that the key estimates and judgements underlying the revaluation estimate for other land and buildings is reasonable.	Currently no issues highlighted, but subject to completion of the outstanding audit procedures detailed on page 3.

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £268.7m	The Authority recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'. The Council's net pension liability at 31 March 2022 is £268.7m (2020-21 £416.3m) comprising the Council's share of the East Sussex Pension Fund assets and liabilities. The Council has engaged an expert Barnett Waddingham for 2021/22 to provide actuarial valuations estimate of the Council's asset and liabilities derived from this scheme. A full valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £147.6m net actuarial gain during 2021/22 (2020/21: £67.8m loss).	• We assessed management's actuarial expert and concluded they are clearly competent, capable and objective in producing the estimate; • We carried out analytical procedures to conclude on whether the Council's share of LGPS pension assets and liabilities was reasonable. We concluded the Council's share of assets and liabilities was analytically in line with our expectations; • We engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verity the completeness and accuracy of information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable; • The auditors' expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management's expert. As set out below all assumptions were within the expected range and were therefore considered reasonable:	Currently no issues highlighted, but subject to completion of the outstanding audit procedures detailed on page 3.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.6%	2.55-2.6%	Considered reasonable
Pension increase rate	3.25%	3.05-3.45%	Considered reasonable
Salary growth	3.25%	4.2%	Challenged – concluded reasonable and would not lead to material misstatement
Life expectancy – Males currently aged 45 / 65	21.2 years retiring today 22 retiring in 20 years	20.5 -23.1 years retiring today 21.9- 24.4 retiring in 20 years	Considered reasonable
Life expectancy – Females currently aged 45 / 65	23.8 years retiring today 25.1 retiring in 20 years	23.4-25 years retiring today 24.9-26.4 retiring in 20 years	Considered reasonable

- We have reviewed the particular local judgements by the actuary/management around salary growth and life expectancy. We are challenging this with the actuary and Council to obtain corroboratory evidence/explanation as to the reasonableness of the assumption adopted.
- We have contacted the auditor of the pension fund accounts to obtain assurances over the completeness and accuracy of information which has been provided to the actuary for determining the estimate. We have also carried out testing back to support held by the Council.
- In our review and testing of the methods and assumptions underlying the estimate we have particularly focussed on any changes year on year to assess and challenge whether this is reasonable.
- We assessed the reasonableness of the Council's share of LPS pension assets.
- We assessed the reasonableness of increase/decrease in estimate.
- We reviewed the adequacy of disclosure of estimate in the financial statements.

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

21

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation	The government has continued to provide a range of financial support packages to the Council and all local authorities during 2021/22. These included additional funding to support the cost of services or offset other income losses. The Council needed to consider the nature and terms of each of the various Covid-19 measures to determine the appropriate accounting treatment, including whether there was income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) for the year. In doing so, management have considered the requirements of section 2.3 of the Code of Practice on Local Authority Accounting which relates to accounting for government grants, as well as section 2.6 which describes how the accounting treatment for transactions within an authority's financial statements shall have regard to the general principle of whether the authority is acting as a principle or agent, in accordance with IFRS15. The three main considerations made by management in forming their assessment were: Where funding is to be transferred to third parties, whether the Council was acting as a principle or agent, and therefore whether income should be credited to the CIES or whether the associated cash should be recognised as a creditor or debtor on the Balance Sheet; Whether there were any conditions outstanding at the year-end, and therefore whether the grant should be recognised as income or a receipt in advance; Whether the grant was awarded to support expenditure on specific services or was in the form of an un-ringfenced government grant – and therefore whether associated income should be credited to the net cost of services or to taxation and non-specific grant income within the CIES.	• We are satisfied that management have effectively evaluated whether the Council is acting as the principle or agent for each relevant support scheme, which has determined whether any income is recognised. • We tested a large sample of grants to assess whether they had been recognised correctly. • We have evaluated the completeness and accuracy of underlying information used to determine whether there were conditions outstanding (as distinct from restrictions) at the year-end that would determine whether the grant should be recognised as a receipt in advance or income, and concluded that this was appropriate. • We have considered management's assessment for grants received, whether the grant is specific or non-specific (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. We are satisfied that the presentation in the CIES is appropriate. • Management's disclosure of the Council's accounting treatment for grant income in both the financial statements and Narrative Report is sufficient.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £10.4m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £10.4m, a net increase of £3.1m from 2020/21.	We are currently completing our work reviewing your estimate of MRP to conclude: • whether the MRP has been calculated in line with the statutory guidance; • whether the Council's policy on MRP complies with statutory guidance; • Assess whether any changes to the authority's policy on MRP has been discussed and agreed with those charged with governance and has been approved by full council; • The reasonableness of the increase/decrease in MRP charge. Our work is in progress and will be subject to technical review by the Manager and Director as recorded on page 3.	Currently no issues highlighted, but subject to management technical review.

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
The Council becoming the accountable body for the Coast to Capital Local Enterprise Partnership (C2C LEP)	During the 2021/22 year the Council took on the role of accountable body for the C2C LEP whereby funding was transferred to the Council and the Council is responsible for the disbursement of this funding with the funding decisions made by the C2C LEP. The Council has considered the arrangement and concluded that they are acting as an agent for the C2C LEP where the Council does not have its own discretion over how funding is disbursed. Therefore the Council does not recognise the transactions in the Comprehensive Income and Expenditure Statement, and instead a cash and creditor position is recognised in the balance sheet.	We reviewed the arrangement and documentation to evidence the decision making for disbursement of funding. We were satisfied the accounting for this arrangement was reasonable and in line with the Code and IFRS.
Consideration of group accounts	Management each year must consider those entities over which it has control and conclude over whether they should produce group accounts. Management have concluded that group entities including The Homes for the City of Brighton & Hove Limited Liability Partnership (LLP) and The Homes for The City of Brighton & Hove Design & Build Company Limited (D&B Co) are not material during the 2021/22 financial year. However they will be likely to be material during the 2022/23 financial year and it is expected that group accounts will need to be produced next year.	We have reviewed the group entities, and the income, expenditure, assets and liabilities of those entities at 31 March 2022, and we are satisfied that management's judgement on not preparing group accounts at 31 March 2022 is reasonable.

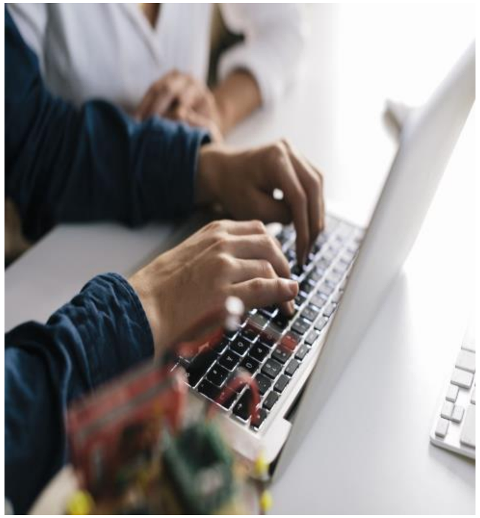
2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

24

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A signed letter of representation will be requested ahead of the auditor's report being signed.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests in respect of your bank, investments and loans balances. This permission was granted for all institutions and the requests were sent. 5 of these requests remain outstanding at the date of issuing this report. We have chased these responses several times and continue to do so.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Subject to completion of the audit procedures detailed on page 3, our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

26

2. Financial Statements - other communication requirements

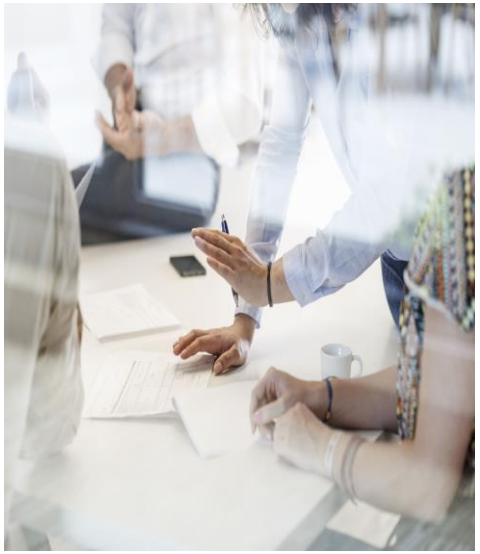
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix C.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £2 billion we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. • Note that work is not yet completed, but will be undertaken and completed once the audit fieldwork is completed. We will discuss timelines for completing this work with your Finance Team.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Brighton and Hove City **Council** in the audit report, as detailed in Appendix C, due to incomplete VFM work and the above WGA procedures which need to be completed before we can certify. As we are unable to issue our audit opinion until CIPFA have put in place a statutory override around infrastructure assets, the VFM work will be completed by that date (which is anticipated to be the end of December 2022) and we are discussing the timeline for completion of WGA procedures. We will be able to certify closure of the audit once these procedures are complete which we would expect to be by January 2023.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix D to this report. We expect to issue our Auditor's Annual Report by the end of December 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below. Our work on this risk is underway and an update is set out below.

Risk of significant weakness	Work performed to date
For 2022/23, the Council originally predicted a £18 million budget gap to be met through a £10.318 million savings plan, one-off funding and use of reserves. Month 5 financial monitoring reports now show that 57% of this savings plan is at risk and there is a predicted £13.114 million overspend on the General Fund. There is considerable concern for the medium term. The original prediction for the 2023/24 position was a budget gap of £6.25 million. By July 2022, this had jumped to £20.99 million. This puts the Council's medium term financial position at significant risk as the current General Fund Working Balance is £14.5 million.	We met with key officers and carried out a detailed review of supporting documents/evidence to consider how the Council: - identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans - plans to bridge its funding gaps and identify achievable savings - plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities - ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system - identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans. Work on concluding on this risk of significant weakness is ongoing, and we will report our conclusions on this in our Auditor's Annual Report.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	18,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £18,000 in comparison to the total fee for the audit of £193,084 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return	7,500	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £193,084 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Council's S151 Officer. None of the services provided are subject to contingent fees.

Appendices

A. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Cash in transit/balance sheet adjustment In our testing of cash and cash equivalents we identified cash which was in transit at the year end which had not been received on the year end date and therefore should have been classified as a debtor.	Nil	DR Debtors 1,072 CR Cash and cash equivalents 1,072	Nil
Overall impact	**£Nil**	**£Nil**	**£Nil**

33

A. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Various minor casting/disclosure amendments	We identified a small number of minor casting and disclosure issues. Management response Agreed and these were amended in the accounts.	✓
Cashflow Statement Amendment in cashflow statement heading 'Any other items for which the cash effects are investment of financial cash flow' agreed to clarify nature of balance which is made up of grants and contributions	Amendment in cashflow statement heading 'Any other items for which the cash effects are investment of financial cash flow' agreed to clarify nature of balance which is made up of grants and contributions. Management response Agreed to adjust in the financial statements.	✓
Related Parties disclosure	In our testing of the related parties disclosure, we identified a related party which had been omitted from that note. This related to transactions of £1.4m Management response Agreed to adjust in the financial statements.	✓

34

A. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The [ABC] Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Infrastructure overstatement – extrapolated error During our testing of Creditors - Purchasing System Goods Received Note Invoiced account, we identified an error within this population relating to an accrual raised towards the capital expenditure incurred for an infrastructure asset. The item had been paid for in January 2021 but was also accrued for in 2020/21. As a result, the infrastructure asset was overstated by an amount of £120,916.59 and creditor accruals were also overstated by £120,916.59 in the prior year. Due to the error not being detected and corrected in the prior year, it was then carried over to the current year and was also not corrected during the year under audit. We were able to isolate and extrapolate this error to estimate the overall potential impact of the error and demonstrate this would not be material, and this is reported as an extrapolated unadjusted misstatement. This extrapolated amount is not indicative of actual misstatement/error in the population and is an estimate only, and we would not request or recommend the Council adjust for this amount.	Nil	DR Creditor accruals £1,722 CR Infrastructure assets (£1,722)	Nil	The difference is not material
Revenues understatement In our testing of revenues period cut off, we identified an error within our testing population where the income had note been accrued correctly as a debtor accrual. As a result, revenues were understated, and debtor accruals were also understated at the 31 March 2022. We were able to isolate and extrapolate this error to estimate the overall potential impact of the error and demonstrate this would not be material, and this is reported as an extrapolated unadjusted misstatement. This extrapolated amount is not indicative of actual misstatement/error in the population and is an estimate only, and we would not request or recommend the Council adjust for this amount.	Cr Other revenues (£1,346)	Dr Debtor accruals £1,346	(£1,346)	The difference is not material
Overall impact	(£1,346)	£1,346	(£1,346)	

36

A. Audit Adjustments

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Net pension liability overstatement We identified that the net pension liability in the accounts was overstated due to the actuary using earlier investment assets valuation estimates as part of the estimate process (necessary in order to produce the IAS19 estimates to an earlier timeframe in producing the Authority financial statements). This error was below our performance materiality. See page 10 for further details on the nature of the error.	CR Remeasurement net defined pension liability (£3,901k) Note: The remeasurement impact would be in other comprehensive income so does not impact the deficit on provision of services. The impact would be in the pensions reserve.	DR Net pension liability £3,901k	CR (£3,901k)	The difference is not material
Overall impact	(£5,247)	£5,247	(£5,247)	

B. Fees

We confirm below our fees charged/proposed for the audit and provision of non-audit services. Note that the final fee is to be confirmed – we will propose a fee variance for the issues around delays to the audit which have been highlighted in this report.

Audit fees	Proposed fee	Final fee
Council Audit	193,084	TBC
Total audit fees (excluding VAT)	£187,084	£TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Teachers Pension Return	7,500	TBC
Certification of Housing Benefit Claim	18,000	TBC
Total non-audit fees (excluding VAT)	**£25,500**	**£TBC**

The fees reconcile to the financial statements.

Audit fees –detailed analysis

Scale fee published by PSAA	£128,084
Ongoing increases to scale fee first identified in 2019/20	
Raising the bar/regulatory factors	£8,000
Enhanced audit procedures for Property, Plant and Equipment **(including £5,000 for engagement with an auditor's expert valuer)**	£10,000
Enhanced audit procedures for Pensions	£4,000
Increase in respect of additional work on Value for Money under new NAO Code	£26,000
Impact of new auditing standards	£17,000
New issues for 2021/22	
Additional file review – in response to increase regulation and issues in FRC public audit reviews	£1,500
Fee variance for: - Delay in the provision of sample responses, and in responses to audit queries and the impact on the audit progress (see page 3)	TBC
Total audit fees (excluding VAT)	£193,084 TBC

C. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report.

Independent auditor's report to the members of Brighton and Hove City Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Brighton and Hove City Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Core Financial Statements, the Notes to the Housing Revenue Account Statement and the Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability

to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

C. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), the Local Government Finance Act 2012and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Standards Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and

  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and the risk of management bias in accounting estimates. We determined that the principal risks were in relation to:
  - Large and unusual manual journal entries
  - Material accounting estimates which were subject to significant management judgement, a high level of estimation uncertainty and high sensitivity to small changes in assumptions.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Appointed Section 151 Chief Finance Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on large and unusual manual journal entries;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment properties and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment properties and defined benefit pensions liability valuations was communicated with the team.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

C. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Brighton and Hove City Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Darren Wells, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

D. Audit letter in respect of delayed VFM work

Commercial in confidence

Grant Thornton

Our ref: BHCC 2021/22 VFM

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

T +44 (0)20 7383 5100
F +44 (0)20 7184 4301

The Audit and Standards Committee
Brighton and Hove City Council
3rd Floor, Bartholomew House,
Bartholomew Square,
Brighton
BN1 1JE

29 November 2022

For the attention of those charged with governance (the Audit and Standards Committee, Brighton and Hove City Council)

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 30 December 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Darren Wells

Director

grantthornton.co.uk

Brighton & Hove City Council

Audit & Standards Committee — Agenda Item 23

Subject: **Audited Statement of Accounts 2021-22**

Date of meeting: **29 November 2022**

Report of: **Chief Finance Officer**

Contact Officer: **Name: Jess Laing**
Email: jess.laing@brighton-hove.gov.uk

Ward(s) affected: **All**

For general release

Note: Reasons for urgency

The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that were that there were a small number of queries in relation to the external audit of the accounts requiring resolution before the audit could be concluded and the findings finalised.

1. Purpose of the report and policy context

1.1 This report provides information about the audit of the council's 2021/22 Statement of Accounts and recommends approval of the 2021/22 audited accounts and the Letter of Representation on behalf of the council. The accounts should be viewed alongside the council's Annual Governance Statement (AGS) which is also approved by the Audit & Standards Committee.

1.2 Under the Accounts and Audit Regulations 2015, the council's accounts for 2021/22 must normally be approved by Members by the 31 July. However, the statutory publication deadline for this year only has been moved to 30 November 2022. Under the council's constitution, the Audit & Standards Committee is charged with the responsibility of the approval of the accounts following which they can be published.

1.3 The council's external auditors for 2021/22 are Grant Thornton who are required to give assurance that the accounts are free from material misstatement and to report significant matters arising from the audit. Grant Thornton will be presenting their findings to this Committee through their Audit Findings Report elsewhere on this agenda, after which they will normally be able to issue their audit opinion.

1.4 This report presents the updated 2021/22 accounts following the outcome of the audit process. It outlines any amendments made to the accounts and provides assurances in relation to the preparation of the accounts. It also informs the committee of the outcome of the public inspection of the accounts. Copies of the final accounts are available on-line and are provided at Appendix 3.

2. Recommendations

That the Audit & Standards Committee:

2.1 Notes the results of the public inspection of the accounts (paragraph 5).

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

2.3 Approves the audited Statement of Accounts 2021/22 (Appendix 3) for publication.

2.4 Delegates authority to the Chief Finance Officer for any final wording and/or immaterial adjustments to the accounts prior to publication.

3. Context and background information

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

3.2 It is a requirement that the annual accounts be prepared as soon as practicable after the end of the financial year and considered and approved by a resolution of the committee charged with governance or the Full Council by the specified statutory deadline. Therefore, the accounts must be published and signed off by the external auditor as soon as reasonably possible after the conclusion of the audit. The statutory deadline was 31 July but (as for the 2020/21 financial year) the deadline for 2021/22 is 30 November.

Format of the Accounts

3.3 Clearly, local authority accounts are not viewed from a commercial perspective, for example, in terms of an authority's attractiveness for possible merger or acquisition. However, local authorities are viewed in terms of their financial resilience, effective financial management and general viability (going concern). The purpose of the accounts therefore is to provide information to a wide range of stakeholders and the general public about the financial position, financial performance and cash flows of the council and to provide answers to basic questions such as:

- What did the council's services and capital programme cost in 2021/22?
- Where did the money come from?
- What does the council own?
- What commitments and liabilities does the council have and what provisions and reserves has the council set against these?
- What amounts were due and what was owed at the end of the financial year?

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

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

3.5 The narrative report aims to offer interested parties a more readable guide to the most significant matters reported in the accounts. A brief commentary on the key aspects of the 2021/22 accounts is included in **Appendix 2** to this report.

3.6 The statements would normally comprise both “Single Entity Accounts”, which are in respect of wholly council controlled activities, and “Group Accounts” in respect of activities where the council has a significant interest or share in a subsidiary, associate or joint venture entity. The requirement for the preparation of Group Accounts in 2021/22 has been considered for the Housing Joint Venture collaborative arrangement with Hyde Housing and it was concluded that there were no material transactions in the 2021/22 financial year that would have required Group Accounts. The preparation of Group Accounts in 2022/23 is likely to be required.

3.7 Grant Thornton have substantially completed their work on the audit of the accounts and will be reporting their findings separately to this Committee through the Audit Findings Report (AFR). Following this report and resolution of any outstanding audit matters, Grant Thornton will normally be able to issue their audit opinion and certification of the accounts.

Preparation of the Accounts

3.8 The council is required to prepare its accounts on an International Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA); the 2021/22 accounts cover the period 1 April 2021 to 31 March 2022. There has been no deviation from the requirements of the Code and all accounting policies adopted by the council for the 2021/22 accounts are in line with the requirements of the Code. For 2021/22 there were no significant changes in reporting requirements under the Code of Practice.

3.9 The accounts are prepared by appropriately qualified and trained officers who have undertaken appropriate training on the requirements for preparing local government accounts. Finance officers involved in the preparation of the accounts attend regular training and/or workshops to ensure an up-to-date knowledge, including latest accounting code changes. Officers have made reference to CIPFA's practitioner's guidance notes, disclosure checklists and other technical guidance in preparing the accounts to ensure compliance with all statutory and other regulatory requirements. Officers have also liaised closely, during the preparation of the accounts, with Grant Thornton over the application of the Code to the 2021/22 accounts.

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

3.11 During the accounts audit process, officers liaised closely with Grant Thornton in respect of audit queries and worked closely to ensure successful resolution of these queries as expediently as possible. During the audit of the 2021/22 accounts, there have been no disputes between council officers and Grant Thornton in relation to the required amendments to the accounts.

Audit of the Accounts

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

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

3.14 Grant Thornton's 2021/22 audit findings report states that an unqualified audit opinion is expected to be issued and that the Value for Money work is not yet completed but Grant Thornton would normally expect to issue the relevant report by 31 December 2022.

3.15 It is a requirement that the council's Annual Governance Statement is approved annually either before or alongside approval of the financial statements. This was approved at the June 2022 meeting of the Audit & Standards Committee.

4. Analysis and consideration of alternative options

4.1 Under the Accounts and Audit Regulations 2015, as amended, the council's 2021/22 accounts are to be approved by the Chief Finance Officer no later than 31 July and following the audit process are to be approved by Members no later than 30 November. Under Brighton & Hove City Council's constitution, the Audit & Standards Committee is charged with this responsibility.

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

5. Community engagement and consultation

5.1 Members of the public, in accordance with the Accounts and Audit Regulations 2015, are granted access for a period of 30 working days to the council's unaudited accounts and are invited to enquire on any aspect of these accounts. If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the accounts with Grant Thornton. The unaudited accounts were completed before the statutory deadline and therefore an extended period of public inspection was possible. The accounts were made available on the council's web site from 1 August to 12 September 2022. The council received one enquiry as part of the public inspection process.

6. Conclusion

6.1 Grant Thornton have carried out their audit of the 2021/22 accounts and have reported their findings and recommendations arising from the audit of the accounts as a separate item on this agenda. The main changes resulting from the audit are included in the Audit Findings Report to ensure members are aware of the changes to the accounts agreed with Grant Thornton prior to their approval

7. Financial implications

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

Finance officer consulted: James Hengeveld   Date consulted: 22/11/2022

8. Legal implications

8.1 The legal framework for approving the council's statement of accounts is provided by regulation 9 of the Accounts and Audit Regulations 2015 (statutory instrument 2015/234), as amended by the Accounts and Audit (Amendment) Regulations 2021 (statutory instrument 2021/263). The regulations permit either full council or a committee of the council to approve the statement of accounts. At Brighton & Hove City Council, the Audit & Standards Committee is the designated committee for this purpose.

Name of lawyer consulted: Liz Woodley	Date consulted: 22/11/2022

9. Equalities implications

9.1 No direct implications.

10. Sustainability implications

10.1 No direct implications.

11. Other Implications

11.1 None.

Supporting Documentation

1. Appendices

1. Letter of representation
2. Brief Commentary on the 2021/22 Statement of Accounts
3. Brighton & Hove City Council 2021/22 Statement of Accounts

2. Background documents

1. Audited Brighton & Hove City Council 2021/22 Statement of Accounts and associated working papers.

Bartholomew Square
Brighton
BN1 1JE

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Date: 29 November 2022
Our Ref: GT BHCC 2021/22
Contact: Nigel Manvell
Phone: 01273 293104
e-mail: nigel.manvell@brighton-hove.gov.uk

Dear Sirs,

Brighton & Hove City Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Brighton & Hove City Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council's financial statements are presented fairly, in all material respects, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

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

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

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

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

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

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

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

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

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

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

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

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

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

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

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

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

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

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

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

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

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

a. management;

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

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

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

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council’s Audit & Standards Committee at its meeting on 29 November 2022.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Council

Brief Commentary on the 2021/22 Statement of Accounts Balance Sheet

Balance Sheet

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

Non-Current Assets

The value of total non-current assets has decreased marginally from £2.036 billion as at 31 March 2021 to £2.121 billion as at 31 March 2022 (please see Note 10 Non-Current Assets, page 31 for details). The valuation of many non-current assets held by local authorities is subject to a wide range of market factors and/or assumptions, particularly where no obvious comparator market or assets exist.

Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council’s borrowing portfolio is based on a consolidated approach and not by individual services. At 31 March 2022, the council’s level of borrowing was £341 million, a net increase in the year of £67 million (please see the Balance Sheet, page 17) in support of the council’s Capital Financing Requirement (approved Capital Programme).

Investments

At 31 March 2022, the council held investments of £266 million (31 March 2021 £151 million). This is partly in respect of borrowing undertaken ahead of planned capital investment. Investments are made by the in-house treasury team and the council’s external cash manager. The council uses an external cash manager to take advantage of investment opportunities in specialist markets not covered by the in-house team, such as government stock (please see Note 12 Financial Instruments, page 40).

Pension Liability

The estimated pension liability (net of pension assets) for future pension payments decreased in 2021/22 by £147 million from £416 million at 31 March 2021 to £269 million at 31 March 2022 (a reversal of last year’s increase). This change is due to changes in the actuarial assumptions such as long-term investment yield and life expectancy of pensioners. The values included in the council’s accounts in relation to post-employment benefits have no effect on the council tax requirement as the liability is offset by an unusable Pensions Reserve (please see Note 25 Defined Benefit Pension Scheme, page 66).

Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2022 that are reasonably certain and can be estimated with reasonable accuracy. Provisions include (please see Note 15 Provisions, page 49 for detail):

Voluntary Severance provision – The provision is to meet the costs of expected severance packages resulting from a review of the staffing impacts of approved savings. The provision at 31 March 2022 is £0.500 million.

Insurance provision - The insurance provision is used to cover liabilities under policy excesses and to finance any claims for small risks not insured externally. The council also self-insures some risks from this provision. The level of the provision is informed by independent actuarial assessment of insurance risks. The provision at 31 March 2022 is £4.326 million.

Business Rates Appeals provision - The council has made provision for its share of the amount that it anticipates to be repaid to ratepayers in the future following successful appeals against the rating lists. The provision at 31 March 2022 is £4.105 million.

Reserves

The council holds two categories of reserves:

Unusable Reserves – these reserves derive from accounting adjustments and policies and are not available to the council to use to provide services. They include reserves that hold unrealised gains and losses where amounts would only become available for use if the assets were disposed of. It also includes reserves for timing differences between what is required from a statutory accounting basis to be charged to the General Fund and HRA funds and what is required to be funded from council tax, locally retained non-domestic rates, and general grants. These reserves include the revaluation reserve, pension reserve and the capital adjustment account. The level of unusable reserves as at 31 March 2022 was £1.436 billion (please see the Balance Sheet page 18 and Note 9 Unusable Reserves page 28 for details).

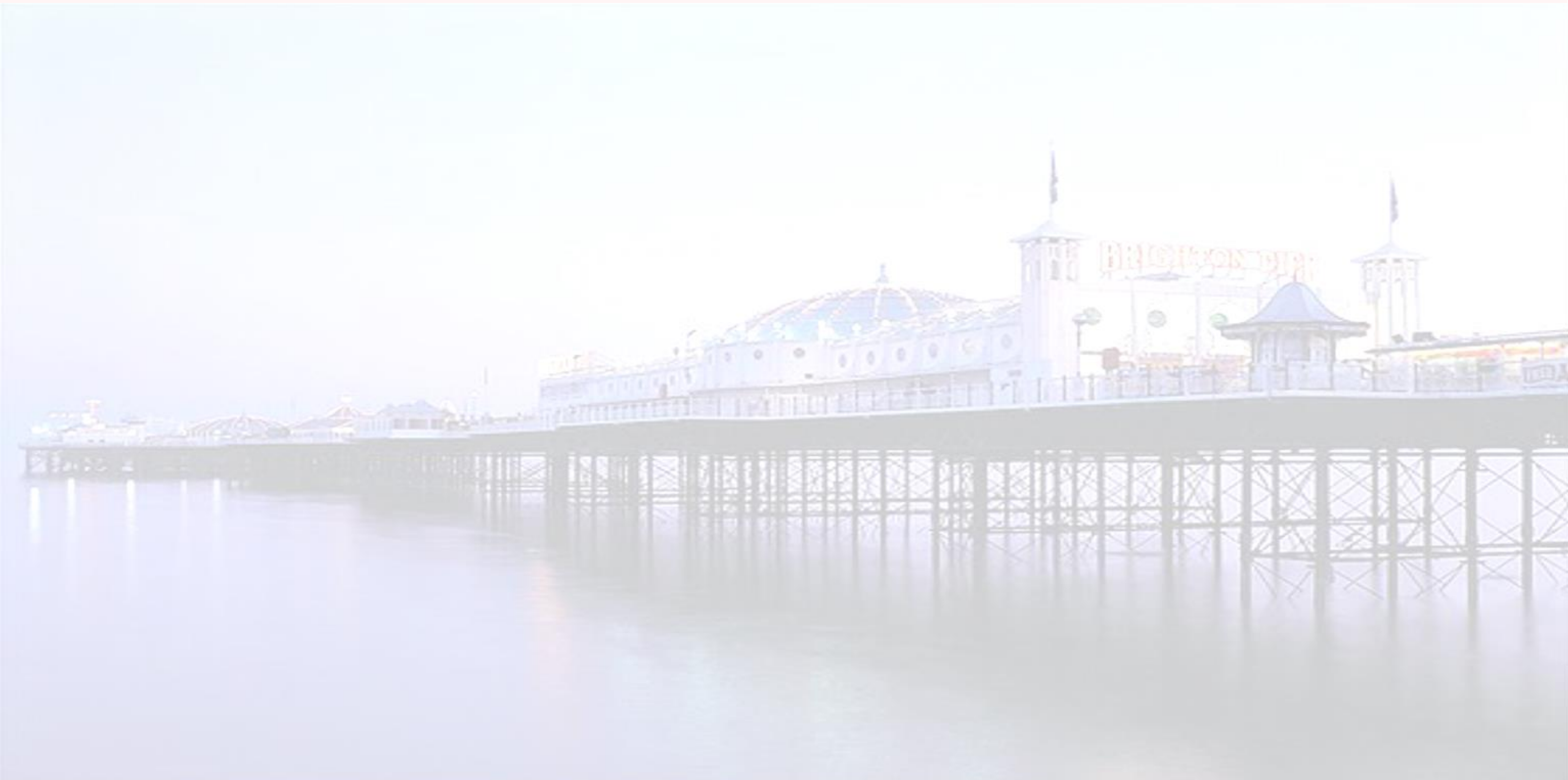
Usable Reserves – these reserves can be used by the council for investment or to provide services and/or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory or contractual limitations on their use. These reserves include the General Fund and HRA working balance, general reserves, capital reserves relating to capital receipts and capital grants not yet applied, and earmarked reserves which have been set aside by the council for specified purposes. The level of General Fund working balance and general reserves held at 31 March 2022 was £14.5 million, including carried forward budget items. The minimum level of working balance and general reserves deemed appropriate by the council's Chief Finance Officer is currently £9 million, which represents approximately 4% of net budget or 3 weeks council tax income. The level of HRA working balance stands at £7.4 million as at 31 March 2022 which is in excess of the recommended minimum level of balances of £3 million. Please see Note 8 Usable Reserves page 27 for details. Usable reserves and provisions are reviewed during the annual budget setting and accounts closure processes to ensure that there is both the ongoing requirement for funds to be set aside and that the levels are adequate and appropriate. The reviews are reported to members as part of the General Fund budget proposals and, following the closure of the accounts, in the TBM Provisional Outturn report.

Collection Fund

The Collection Fund is a separate fund recording the expenditure and income relating to council tax and non-domestic rates. As at 31 March 2022, there was a deficit of £44 million (31 March 2021 £81 million) on the Collection Fund due to the impact of Covid-19 infection control restrictions (please see Collection Fund Statement and Notes, page 78).

Brighton & Hove City Council

Statement of Accounts 2021/22



Contents

Chief Finance Officer's Narrative Report

Introduction
The 2021/22 financial year was the lead up to global economic events that led to supply chain issues, pressures across labour markets and rising price inflation. By contrast, the latter part of the financial year saw an increase in economic and visitor activity in the City and a return to relative normality post removal of the government's Covid-19 infection control measures. 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 six directorates: Families, Children & Learning; Health & Adult Social Care; Economy, Environment & Culture; Housing, Neighbourhoods & Communities; Finance & Resources and Strategy, Governance & Law.

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 (For example; corporate key performance target setting 2021/22).

The council's 2021/22 Annual Governance Statement, an annual legally required review of internal controls and governance was reviewed and agreed by Audit & Standards Committee in June 2022.

2021/22 Budget Setting
The 2021/22 council budget was developed in unprecedented times in which the impact of the pandemic on the city, its residents, businesses and visitors was clear to see. The council has been supporting wherever it can and administering significant emergency assistance, hardship and business grant funding to sustain people and businesses throughout the pandemic as far as possible. As in previous years, achieving a balanced budget required a further substantial savings programme of over £10 million. The budget set for 2021/22 was focused on survival and recovery as the country and the city emerged from the pandemic

The 2021/22 budget included:

An increase of 4.99% on Council Tax including a 3% Adult Social Care precept (the maximum allowed before a local referendum was required).

A savings programme of £10.6 million to contribute to funding for investments in Corporate Plan priorities and cost pressures in demand-led services.

Corporate Plan priority investments including over £19 million funding for cost pressures in priority, demand-led services.

A substantial capital investment programme of £221 million.

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

The 2021/22 budget setting report and supporting documents was approved by February 2021 Council.

2021/22 Outturn

Revenue
The provisional outturn is a £2.9 million underspend on the General Fund and a £0.03 million underspend on the Housing Revenue Account. A summary is set out below.

	Budget £m	Actual £m	Variance £m
Families, Children & Learning	97.2	97.1	-0.1
Health & Adult Social Care	67.8	63.4	-4.4
Economy, Environment & Culture	32.3	30.6	-1.6
Housing, Neighbourhoods & Communities	24.7	25.6	0.9
Finance & Resources	22.5	23.6	1.0
Strategy, Governance & Law	6.6	5.9	-0.8
Corporate Budgets	-58.6	-56.6	2.0
Total	**192.6**	**189.6**	**-2.9**

This includes an underspend of £3.3 million on the council's share of the NHS managed Section 75 services. This underspend was partly due to the quicker than expected recovery of economic and visitor activity during the last quarter which has significantly bolstered some income streams across a wide range of areas including the Brighton Centre, registrars, parking fees and fines and so on. However, some aspects of economic activity such as planning and commercial property rents remain suppressed together with persistently high Council Tax Reduction claimant numbers.

£3.2 million (30%) of the substantial savings package in 2021/22 of £10.7 million was not achievable due to a range of factors. £0.9 million was due to pressures and/or delays arising from Covid-19 infection control measures. In addition, the council was only able to achieve a reasonable outturn position with support from one-off grants including an £8 million Covid Grant, £8.9 million Contain Outbreak Management Funds, and £1 million of Sales, Fees & Charges compensation grant. These funding streams have now all ended but the impact of the pandemic on the economy and labour markets has not.

Capital
A provisional outturn of £110.2 million with an underspend of £7.9 million. Details are set out in the next table.

	Budget £m	Actual £m	Variance £m
Families, Children & Learning	15.2	15.2	0.0
Health & Adult Social Care	0.3	0.3	0.0
Economy, Environment & Culture	38.0	37.6	-0.4
ısing, Neighbourhoods & Communities	3.8	3.1	-0.8
Housing Revenue Account	57.4	50.8	-6.6
Finance & Resources	2.7	2.6	-0.1
Strategy, Governance & Law	0.6	0.6	0.0
Total	**118.1**	**110.2**	**-7.9**

There is an unusually high reprofiling of the original project budgets (£46 million slippage into future years). This is a direct consequence of the pandemic that has caused a wide range of delays due to working restrictions as well 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 2022, the council had long term borrowing of £341 million (31 March 2021 £274 million). As previously stated, this is at the average total borrowing value for unitary authorities.

The 2021/22 outturn report was considered and approved by July 2022 Policy & Resources committee.

Additional Government Funding
The council received a significant amount of temporary additional government funding – compared to previous financial years - to support services and the local economy. 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 Policy and Strategy 2021/22 (approved by Council in February 2021).

Budget Planning 2022/23 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.

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 £12m makes 2022/23 a very challenging budget. In particular, one-off Covid-19 grant awarded for 2021/22 (£8 million) was used to manage cost pressures and balance the recurrent General Fund budget for 2021/22.

The scale of the savings package in 2022/23, again over £10 million, presents significant challenges following on as it does from many years of multi-million pound savings packages. The 2022/23 budget process therefore focused on a longer time horizon and has started the process of developing an achievable, sustainable Medium Term Financial Strategy over a 4-year period. This approach will be followed up during the current financial year and strengthened in the 2023/24 budget planning process.

In 2018, the council declared a Climate and Biodiversity Emergency, and this is therefore a high priority for the council and supports the Corporate Plan objective of becoming a Carbon Neutral City by 2030. Revenue and capital investments of approximately £10 million are planned for 2022/23, including further investment of £7.5 million in the Carbon Neutral 2030 programme aimed at improving the sustainability and biodiversity of the city as well as the health and well-being of its residents through schemes that enable active travel, improve air quality and improve energy efficiency (including the council's own buildings)

The council's five year capital investment programme also includes substantial rolling programmes to maintain and improve the housing stock, schools and highways. Major investment projects include schemes to increase affordable housing supply including the housing joint venture. Funding capital investment presents a significant challenge with limited availability of capital receipts (income from the sale of surplus land and buildings) and limitations on borrowing as a result of the revenue budget impact.

Please see the 2022/23 budget report to February 2022 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 2022. 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 2021/22 ("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 at the 3rd Floor, Bartholomew House, Bartholomew Square, Brighton, BN1 1JE. In addition, interested members of the public have a statutory right to inspect the financial statements and their availability is advertised on the council's website, www.brighton-hove.gov.uk.

Nigel Manvell CPFA
Chief Finance Officer

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Brighton and Hove City Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement, the Notes to the Housing Revenue Account Statement and the Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22. In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in

Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Appointed Section 151 Chief Financial Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), the Local Government Finance Act 2012 and the Local Government Act 2003.

- We enquired of senior officers and the Audit and Standards Committee, concerning the Authority's policies and procedures relating to:

  – the identification, evaluation and compliance with laws and regulations;

  – the detection and response to the risks of fraud; and

  – the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and the risk of management bias in accounting estimates. We determined that the principal risks were in relation to:

  – Large and unusual manual journal entries

  – Material accounting estimates which were subject to significant management judgement, a high level of estimation uncertainty and high sensitivity to small changes in assumptions.

- Our audit procedures involved:

  – evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;

  – journal entry testing, with a focus on large and unusual manual journal entries;

  – challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;

  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Brighton and Hove City Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice

- until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report and;
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Name Darren Wells, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London
Date:

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 2022 and its income and expenditure for the financial year ended 31 March 2022.

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 29 November 2022.

Signed on behalf of Brighton & Hove City Council by
Councillor Gary Wilkinson
Chair, Audit & Standards Committee
Date

Brighton & Hove City Council

Core Financial Statements 2021/22

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 2022			Year Ended 31 March 2021		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Families, Children & Learning	354,589	(229,345)	**125,244**	345,806	(217,361)	**128,444**
Health & Adult Social Care	146,804	(69,050)	**77,755**	144,324	(63,933)	**80,392**
Economy, Environment & Culture	139,115	(71,920)	**67,195**	134,824	(59,319)	**75,505**
Housing, Neighbourhoods & Communities	66,431	(32,706)	**33,725**	50,084	(27,537)	**22,547**
Finance & Resources	144,300	(116,733)	**27,567**	152,652	(123,796)	**28,856**
Strategy, Governance & Law	11,747	(4,810)	**6,937**	10,797	(3,883)	**6,915**
Corporately-held Budgets	11,433	(7,714)	**3,718**	23,262	(13,930)	**9,332**
Housing Revenue Account	52,769	(60,775)	**(8,006)**	52,165	(61,307)	**(9,142)**
Cost of services	**927,188**	**(593,053)**	**334,135**	**913,916**	**(571,066)**	**342,850**
(Gain)/loss on the disposal of non-current assets			(129)			(6,731)
Precepts and levies			267			263
Payments to the government housing capital receipts pool			1,234			1,234
Non-current asset charges to academy schools			41			(1,831)
Other operating expenditure			**1,413**			**(7,065)**
Interest payable and premiums			17,475			15,091
Net interest on the net defined benefit pension liability			8,460			6,638
Interest receivable and similar income			(3,137)			(3,839)
Income and expenditure in relation to investment properties			(3,061)			(3,198)
Changes in the fair value of investment properties			3,747			4,412
Financing and investment income and expenditure			**23,484**			**19,104**
Council tax income (including share of (surplus)/deficit)			(155,975)			(145,410)
Share of non-domestic rates income (including share of (surplus)/deficit)			(42,692)			(22,354)
Non ring-fenced government grants			(83,043)			(100,298)
Capital grants and contributions			(34,605)			(34,767)
Taxation and non-specific grant Income and expenditure			**(316,315)**			**(302,829)**
(Surplus)/deficit on the Provision of Services			**42,718**			**52,060**
(Surplus)/deficit on revaluation of non-current assets			(56,314)			22,654
Remeasurements of the net defined benefit liability			(197,923)			108,293
Other comprehensive income and expenditure			**(254,237)**			**130,948**
Comprehensive income and expenditure (surplus)/deficit			**(211,520)**			**183,008**

Movement in Reserves Statement

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

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)**

2020/21	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	**(56,090)**	55,274	(99,799)	**(44,525)**	**(100,615)**
Housing Revenue Account Reserves	**(9,677)**	(3,214)	(149)	**(3,363)**	**(13,040)**
Capital Receipts Reserve	**(32,149)**	0	3,263	**3,263**	**(28,885)**
Capital Grants Unapplied Reserve	**(7,108)**	0	2,350	**2,350**	**(4,758)**
Usable Reserves	**(105,024)**	**52,060**	**(94,334)**	**(42,274)**	**(147,299)**
Capital Adjustment Account	**(1,184,765)**	0	6,055	**6,055**	**(1,178,709)**
Revaluation Reserve	**(521,760)**	22,654	10,050	**32,705**	**(489,055)**
Deferred Capital Receipts Reserve	**(6,139)**	0	7	**7**	**(6,131)**
Pooled Investment Funds Adjustment Account	**0**	0	37	**37**	**37**
Accumulated Absences Account	**4,129**	0	743	**743**	**4,872**
Financial instruments Adjustment account	**9,910**	0	(143)	**(143)**	**9,767**
Collection Fund Adjustment Account	**(231)**	0	42,530	**42,530**	**42,299**
Pensions Reserve	**272,974**	108,293	35,055	**143,348**	**416,322**
Unusable Reserves	**(1,425,881)**	**130,948**	**94,334**	**225,282**	**(1,200,599)**
Total Reserves	**(1,530,905)**	**183,008**	**0**	**183,008**	**(1,347,897)**

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 2022	31 March 2021
		£'000	**£'000**
Property, plant and equipment	10	1,847,099	1,745,325
Heritage assets	10	207,427	215,253
Investment property	10	58,062	62,242
Long term intangible assets	10	8,734	7,974
Long term investments		29,567	35,578
Long term debtors	13	48,680	35,024
Long Term Assets		**2,199,570**	**2,101,398**
Short term investments		131,582	67,080
Inventories		1,052	1,287
Short term debtors	13	83,355	100,963
Cash equivalents		105,146	48,095
Short term assets held for sale	10	0	0
Current Assets		**321,135**	**217,424**
Bank overdraft		(2,319)	(1,922)
Short term borrowing		(24,816)	(17,773)
Short term creditors	14	(204,758)	(150,873)
Short term provisions	15	(2,612)	(450)
Current Liabilities		**(234,506)**	**(171,018)**
Long term provisions	15	(9,055)	(6,115)
Long term borrowing		(341,318)	(273,553)
Other long term liabilities	18,25	(306,305)	(457,200)
Capital grant receipts in advance	16	(70,105)	(63,038)
Long Term Liabilities		**(726,782)**	**(799,906)**
Net Assets		**1,559,417**	**1,347,897**
Usable reserves	8	(123,023)	(147,299)
Unusable reserves	9	(1,436,394)	(1,200,599)
Total Reserves		**(1,559,417)**	**(1,347,897)**

More details of the values shown in the balance sheet can be found in the notes to the accounts. These financial statements replace the unaudited financial statements certified by the Acting Chief Finance Officer (Section 151 Officer) on 18 July 2022.

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.

	2021/22 £'000	2020/21 £'000
Net Surplus or (Deficit) on the provision of services	**(42,718)**	**(52,060)**
Non-current asset charges - depreciation, amortisation, revaluation and impairment	52,465	79,341
Increase/(decrease) in creditors	61,230	59,778
(Increase)/decrease in debtors	4,860	(14,260)
Movement in the pension liability (element charged to the surplus/deficit on the provision of services)	50,294	35,055
Carrying amount of non-current asset disposals	10,217	3,748
Other non-cash items charged to the net surplus or deficit on the provision of services	3,040	7,460
Adjustment to surplus/(deficit) on the provision of services for non-cash movements	**182,106**	**171,122**
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,374)	(10,642)
Capital grants applied in-year	(38,443)	(36,871)
Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	**(48,817)**	**(47,513)**
Net Cash Flows from Operating Activities	**90,571**	**71,549**
Purchase of non-current assets (including the movement in capital creditors and debtors)	(110,480)	(88,091)
Purchase of short and long term investments (net)	(68,579)	(24,848)
Proceeds from the disposal of non-current assets	10,383	10,650
Other receipts from investing activities	44,248	38,158
Net Cash Flows from Investing Activities	**(124,428)**	**(64,131)**
Cash receipts of short and long term borrowing	80,000	15,349
Billing authorities - council tax and non-domestic rates adjustments	18,969	(43,695)
Reduction of outstanding PFI Liabilities	(3,019)	(479)
Repayment of short term and long term borrowing	(5,438)	(2,389)
Net Cash Flows from Financing Activities	**90,512**	**(31,214)**
Net Increase/(Decrease) in Cash and Cash Equivalents	**56,655**	**(23,796)**
Bank current accounts	(1,922)	(2,008)
Short term deposits	48,094	71,976
Cash and Cash Equivalents as at 1 April	**46,172**	**69,968**
Bank current accounts	(2,319)	(1,922)
Short term deposits	105,146	48,094
Cash and Cash Equivalents as at 31 March	**102,827**	**46,172**

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 2021/22, these proper accounting practices principally comprise:

the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) supported by International Financial Reporting Standards (IFRS)

the Service Reporting Code of Practice 2021/22 (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:

IFRS1 (First-time Adoption) – relating to foreign operations of acquired subsidiaries;
IFRS16 (Leases) – removal of a misleading example;
IAS37 (Onerous Contracts) – a clarification of the accounting standard's intention;
IAS41 (Agriculture) – only applies to local authorities in limited circumstances.

These are not expected to have a material (or any) impact on the council's financial statements or disclosure notes.

The council has - and will be exercising - the option of deferring IFRS 16 Leases implementation (which requires local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities) until 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 2022 the council held LEP funds as investments and cash equivalents of £34.787 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 liability for future pension payments - estimated by the pension fund actuary - is £268.693 million 31 March 2022 (£416.322 million 31 March 2021).

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 £0.732 million in 2021/22 with a total allowance of £46.952 million 31 March 2022. The increased allowance is a real cost to the council. There is also an allowance for the impairment of long term loans made by the council for capital investment which was reviewed and reduced in 2021/22. This gain is an accounting entry only and not a real benefit (or cost) to the council (as per the current accounting requirements).

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 £57.9 million during 2021/22. The net carrying amount of Property, Plant and Equipment was £1.847 billion on 31 March 2022. 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

The UK's economic performance has deteriorated post balance sheet date with, for example, increasingly high rates of pay and price inflation. There are no significant local post balance sheet events which might impact on the council's financial statements or financial status.

It is possible that the lease transferring legal ownership of the Brighton Aldridge Community Academy school building (balance sheet value at 31 March 2022 £25 million) from the council to the academy trust will be signed in 2022/23 (a non-adjusting post balance sheet event).

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.

	2021/22					2020/21				
	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	97,110	(1,706)	95,404	29,840	**125,244**	90,493	(3,398)	87,095	41,349	**128,444**
Health & Adult Social Care	63,403	8,799	72,202	5,552	**77,755**	66,781	9,396	76,178	4,214	**80,392**
Economy, Environment & Culture	30,640	809	31,448	35,747	**67,195**	41,247	914	42,161	33,344	**75,505**
Housing, Neighbourhoods & Communities	25,639	1,460	27,099	6,626	**33,725**	15,672	1,532	17,204	5,343	**22,547**
Finance & Resources	23,558	(3,239)	20,319	7,248	**27,567**	22,173	1,409	23,582	5,275	**28,856**
Strategy, Governance & Law	5,873	(538)	5,335	1,602	**6,937**	5,666	112	5,778	1,137	**6,915**
Corporately-held Budgets	(56,620)	61,354	4,733	(1,015)	**3,718**	(68,004)	76,235	8,230	1,102	**9,332**
Housing Revenue Account	(33)	4,089	4,056	(12,062)	**(8,006)**	(436)	(8,364)	(8,800)	(342)	**(9,142)**
Net Cost of Services	**189,570**	**71,027**	**260,597**	**73,538**	**334,135**	**173,592**	**77,837**	**251,429**	**91,421**	**342,850**
Other Income and Expenditure/Financing	(189,570)	(52,737)	(242,307)	(49,110)	**(291,417)**	(173,592)	(125,725)	(299,317)	8,527	**(290,790)**
(Surplus)/Deficit on Provision of Services	**0**	**18,290**	**18,290**	**24,428**	**42,718**	**0**	**(47,888)**	**(47,888)**	**99,948**	**52,060**

	2021/22				2020/21			
	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	(19,088)	4,579	(14,509)	(2,949)	(8,990)	(10,098)	(19,088)	(9,733)
General Fund Earmarked Reserves	(81,527)	13,775	(67,752)		(47,101)	(34,427)	(81,527)	
Housing Revenue Account Working Balance	(8,067)	687	(7,380)	(33)	(7,657)	(410)	(8,067)	(436)
Housing Revenue Account Earmarked Reserves	(4,973)	(752)	(5,725)		(2,020)	(2,953)	(4,973)	
Total Reserves	**(113,655)**	**18,290**	**(95,366)**	**(2,982)**	**(65,767)**	**(47,888)**	**(113,655)**	**(10,169)**

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

	2021/22				2020/21			
	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	11,477	19,112	(749)	**29,840**	27,339	13,229	781	**41,349**
Health & Adult Social Care	549	5,006	(3)	**5,552**	589	3,593	32	**4,214**
Economy, Environment & Culture	28,376	7,366	5	**35,747**	28,228	5,084	31	**33,344**
Housing, Neighbourhoods & Communities	3,920	2,698	8	**6,626**	3,584	1,743	16	**5,343**
Finance & Resources	2,815	4,428	5	**7,248**	2,226	3,027	22	**5,275**
Strategy, Governance & Law	(75)	1,677	0	**1,602**	(53)	1,182	8	**1,137**
Corporately-held Budgets	(1,368)	354	(1)	**(1,015)**	726	565	(190)	**1,102**
Housing Revenue Account	(15,427)	3,368	(2)	**(12,062)**	(2,606)	2,240	24	**(342)**
Net Cost of Services	**30,266**	**44,009**	**(737)**	**73,538**	**60,033**	**30,663**	**725**	**91,421**
Other Income and Expenditure/Financing	**(36,537)**	**6,285**	**(18,858)**	**(49,110)**	**(38,306)**	**4,391**	**42,442**	**8,527**

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:

	2021/22 £'000	2020/21 £'000
Employee expenses	378,522	350,684
Other service expenses	497,969	490,365
Depreciation, amortisation and impairments	56,222	86,493
Interest payable	17,475	15,091
Payments to the government's Housing Capital Receipts Pool	1,234	1,234
Precepts and levies	267	263
Total Expenditure	951,689	944,130
Fees, charges and other service income	(212,201)	(186,517)
Net Loss/(Gain) on disposal of non-current assets	(129)	(6,806)
Interest receivable	(3,137)	(3,808)
Income from Council Tax/Non-Domestic Rates	(198,667)	(167,764)
Government grants and contributions	(494,838)	(527,176)
Total Income	(908,972)	(892,070)
(Surplus)/Deficit on the Provison of Services	**42,718**	**52,060**

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

	2021/22 £'000	2020/21 £'000
Families, Children & Learning	(19,205)	(15,058)
Health & Adult Social Care	(35,432)	(37,935)
Economy, Environment & Culture	(68,019)	(44,160)
Housing, Neighbourhoods & Communities	(17,015)	(17,076)
Finance & Resources	(4,116)	(3,346)
Strategy, Governance & Law	(4,349)	(3,646)
Corporate & Other	(3,341)	(4,034)
Housing Revenue Account	(60,724)	(61,262)
Total Income from External Customers	**(212,201)**	**(186,517)**

IFRS15 Revenue from contracts with customers
Of the £212.2 million of income from fees, charges and other service income, £113.9 million of this is income from contracts with customers. The balance of £98.3 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.

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)**

2020/21	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)	(32,324)	(2,731)	0	0	0	**(35,055)**
Financial instruments (transferred to/(from) the Financial Instruments Adjustment Account)	88	18	0	0	0	**106**
Council tax and NDR (transferred to/(from) the Collection Fund Adjustment Account)	(42,530)	0	0	0	0	**(42,530)**
Employees' paid absences (transferred to the Accumulated Absences Account)	(701)	(42)	0	0	0	**(743)**
Reversals of entries included in the CIES in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(69,253)	(9,105)	0	(14,043)	(83)	**(92,485)**
Adjustments to Revenue Resources	**(144,720)**	**(11,860)**	**0**	**(14,043)**	**(83)**	**(170,706)**
Non-current asset sale proceeds	7,042	3,608	(10,650)	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)	6,659	731	0	0	0	**7,390**
Capital expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	1,097	6,082	0	0	0	**7,179**
Use of capital receipts to fund voluntary severance costs	(4,503)	0	4,503	0	0	**0**
Adjustments between Revenue and Capital Resources	**9,062**	**10,420**	**(4,914)**	**0**	**0**	**14,569**
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	8,177	0	0	**8,177**
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	14,043	0	**14,043**
Application of capital grants to finance capital expenditure	35,866	1,291	0	0	2,433	**39,590**
Cash payments in relation to deferred capital receipts	(7)	(0)	0	0	0	**(7)**
Adjustments to Capital Resources	**35,859**	**1,291**	**8,177**	**14,043**	**2,433**	**61,803**
Total Adjustments	**(99,799)**	**(149)**	**3,263**	**0**	**2,350**	**(94,334)**

8. Usable Reserves (Earmarked Reserves)

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

	Balance 31 March 2020 £'000	Transfers To £'000	Transfers From £'000	Balance 31 March 2021 £'000	Transfers To £'000	Transfers From £'000	Balance 31 March 2022 £'000
Collection Fund Section 31 Grants Adjustment Reserve	(311)	(38,016)	649	(37,678)	(22,896)	39,095	(21,479)
Brighton i360 Reserve	(6,414)	(1,392)	0	(7,806)	(1,376)	100	(9,082)
Local Management of Schools Reserves	(4,347)	(2,565)	0	(6,912)	(1,224)	0	(8,136)
PFI Reserves	(4,845)	(1,133)	602	(5,376)	(2,287)	224	(7,439)
Insurance Reserves	(5,372)	(33)	152	(5,253)	0	5,253	0
Other earmarked reserves	(6,812)	(233)	1,924	(5,121)	(1,561)	831	(5,851)
City Deal New England House Development Reserve	(4,900)	0	332	(4,568)	0	83	(4,485)
Revenue Grants Carry Forward Reserve	(9,509)	(2,574)	8,805	(3,278)	(3,814)	3,277	(3,815)
Brighton Centre Redevelopment Reserve	(2,872)	(18)	69	(2,821)	(6)	1,695	(1,132)
Departmental Carry Forwards	(1,283)	(2,113)	1,283	(2,113)	(5,962)	2,113	(5,962)
Capital Reserves	(436)	(454)	374	(516)	(136)	438	(214)
Restructure Redundancy Reserve	0	(95)	10	(85)	(103)	31	(157)
General Fund Working Balance	(8,990)	(10,098)	0	(19,088)	(2,949)	7,528	(14,509)
General Fund Reserves	**(56,091)**	**(58,724)**	**14,200**	**(100,615)**	**(42,314)**	**60,668**	**(82,261)**
Capital Reserves	0	(2,900)	0	(2,900)	(1,160)	2,900	(1,160)
Other earmarked reserves	(1,632)	(1,450)	1,009	(2,073)	(4,096)	1,604	(4,565)
Restructure Redundancy Reserve	(388)	0	388	0	0	0	0
Housing Revenue Account Working Balance	(7,657)	(436)	26	(8,067)	(33)	720	(7,380)
Housing Revenue Account Reserves	**(9,677)**	(4,786)	1,423	**(13,040)**	**(5,289)**	**5,224**	**(13,105)**
Capital Receipts Reserve	(32,149)	(11,141)	14,405	(28,885)	(13,542)	18,234	(24,193)
Capital Grants Unapplied Reserve	(7,108)	(257)	2,607	(4,758)	(953)	2,246	(3,465)
Total Usable Reserves	**(105,025)**	(74,908)	32,635	**(147,299)**	**(62,098)**	**86,372**	**(123,023)**

The single largest movement in the reserves (a reduction of £16 million) is for the Collection Fund Section 31 Grants Adjustment reserve which holds, at March 2022, the balance of Section 31 compensation grants paid over by government in 2021/22. This is a timing reserve. A shortfall in business rates income created a deficit in 2021/22 which will be covered by this grant in 2022/23. It does not represent additional resources available to the council.

Local Management of Schools Reserve

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

	Balance 31 March 2021	Unspent Balance	Overspent Balance	Balance 31 March 2022
	£'000	£'000	£'000	£'000
Nursery schools	(34)	(7)	27	20
Primary schools	(3,527)	(4,097)	411	(3,685)
Secondary schools	(3,278)	(4,897)	336	(4,561)
Special schools	(73)	(35)	125	91
Total Reserves	**(6,912)**	**(9,035)**	**900**	**(8,135)**

9. Unusable Reserves

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

	2021/22	2020/21	Change
	£'000	£'000	£'000
Capital Adjustment Account	(1,201,809)	(1,178,709)	(23,099)
Revaluation Reserve	(534,536)	(489,055)	(45,480)
Deferred Capital Receipts Reserve	(6,123)	(6,131)	8
Pooled Fund Adjustment Account	495	37	458
Accumulated Absences Account	4,144	4,872	(728)
Financial Instruments Adjustment Account	9,635	9,767	(131)
Collection Fund Adjustment Account	23,106	42,299	(19,193)
Pensions Reserve	268,693	416,322	(147,629)
Total Unusable Reserves	**(1,436,394)**	**(1,200,599)**	**(235,795)**

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.

	2021/22	2020/21
	£'000	£'000
Balance 1 April	**(1,178,709)**	**(1,184,765)**
Charges for depreciation and impairment of non-current assets	57,900	56,989
Impairment losses on Financial Assets	(6,182)	2,209
Revaluation losses on non-current assets	20,877	34,763
Upward revaluations reversing previous revaluation losses on non-current assets	(28,785)	(14,224)
Amortisation of intangible assets	2,484	1,812
Revenue expenditure funded from capital under statute	5,432	2,740
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	10,217	3,748
Adjusting amounts written out to the revaluation reserve	(10,834)	(10,050)
Use of the capital receipts reserve to finance new capital investment	(8,670)	(8,177)
Use of the HRA balance to finance new capital investment	0	(414)
Use of the major repairs reserve to finance new capital investment	(13,656)	(14,043)
Capital grants and contributions credited to the CIES that have been applied to capital funding	(38,443)	(37,157)
Application of grants to capital financing from the capital grants unapplied account	(2,043)	(2,433)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,346)	(2,806)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(5,065)	(4,584)
Capital investment charged against the General Fund and HRA balances	(183)	(5,034)
Movements in the market value of investment properties debited/(credited) to the CIES	3,747	4,447
Use of earmarked reserves to finance new capital investment	(4,548)	(1,730)
Balance 31 March	**(1,201,809)**	**(1,178,709)**

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.

	2021/22	2020/21
	£'000	£'000
Balance 1 April	**(489,055)**	**(521,760)**
Upward revaluation of non-current assets	(80,615)	(28,482)
Downward revaluation and impairment of non-current assets	24,301	51,137
Other Comprehensive Income and Expenditure	**(56,314)**	**22,655**
Difference between fair value and historic cost depreciation	9,041	6,549
Accumulated gains on non-current assets disposals	1,793	3,502
Adjustments between accounting basis and funding basis under regulation	**10,834**	**10,050**
Balance 31 March	**(534,536)**	**(489,055)**

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 2022 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 2022 is £4.1 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 2022 is £9.6 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.

	2021/22 £'000	2020/21 £'000
Balance 1 April	**42,299**	**(231)**
Amount by which council tax and non domestic rates income credited to the CIES is different from council tax and non domestic rates income	(19,193)	42,530
Balance 31 March	**23,106**	**42,299**

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 liabilities are updated to recognise inflation and the assumptions that change in light of investment returns. However, 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 debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2021/22 £'000	2020/21 £'000
Balance as at 1 April	**416,322**	**272,974**
Remeasurements of the net defined benefit liability	(197,923)	108,293
Reversal of items relating to retirement benefits charged to the surplus / deficit on the provision of services	83,885	68,146
Employer's pensions contributions payable	(33,591)	(33,091)
Balance as at 31 March	**268,693**	**416,322**

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.

2021/22	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 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**

2020/21	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 2020														
Gross carrying amount	885,414	746,208	44,803	218,417	2,381	38,602	4,903	**1,940,728**	215,828	66,566	1,830	16,626	**300,851**	2,241,579
Accumulated depreciation	0	(16,965)	(28,913)	(128,747)	0	0	0	**(174,625)**	0	0	0	(9,565)	**(9,565)**	(184,190)
Net Carrying Amount at 1 April 2020	**885,414**	**729,243**	**15,889**	**89,670**	**2,381**	**38,602**	**4,903**	**1,766,103**	**215,828**	**66,566**	**1,830**	**7,061**	**291,285**	**2,057,388**
Capital Additions														
Additions	33,794	24,834	3,572	14,392	0	3,862	0	**80,454**	164	88	0	2,856	**3,108**	**83,562**
Asset Disposals														
Derecognition - disposals	(1,876)	(540)	(466)	0	(112)	0	0	**(2,994)**	0	0	(1,281)	(183)	**(1,464)**	**(4,458)**
Derecognition - disposals (depreciation)	0	124	403	0	0	0	0	**527**	0	0	0	183	**183**	**710**
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	7,827	15,115	0	0	0	0	275	**23,217**	5	0	0	0	**5**	**23,223**
Revaluation of disposed assets	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Depreciation written out	8,367	7,141	0	0	0	0	1	**15,509**	0	0	0	0	**0**	**15,509**
Revaluation (losses)	(9,996)	(50,146)	0	0	0	0	(500)	**(60,642)**	(744)	0	0	0	**(744)**	**(61,386)**
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	(13,584)	(28,602)	(4,153)	(10,519)	0	0	(1)	**(56,859)**	0	0	0	(1,942)	**(1,942)**	**(58,801)**
Reversal of previous year's depreciation	5,217	17,978	0	0	0	0	0	**23,195**	0	0	0	0	**0**	**23,195**
Revaluation (losses)	(13,055)	(35,345)	0	0	0	0	(450)	**(48,850)**	0	0	0	0	**0**	**(48,850)**
Revaluation loss reversals	813	4,107	0	0	0	0	0	**4,921**	0	0	0	0	**0**	**4,921**
Impairment (losses)	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Impairment loss reversals	0	195	0	0	0	0	0	**195**	0	0	0	0	**0**	**195**
Other Transactions														
Assets reclassified (to) / from Assets Held for Sale, Investment Property and Heritage Assets	0	549	0	0	0	0	0	**549**	0	0	(549)	0	**(549)**	**0**
Assets reclassified within Property, Plant and Equipment	9,524	2,866	0	17,042	0	(28,599)	(834)	**(0)**	0	0	0	0	**0**	**(0)**
Other movements in gross carrying amount	0	0	0	0	0	0	0	**0**	0	(4,412)	0	0	**(4,412)**	**(4,412)**
Other movements in depreciation	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Net Carrying Amount at 31 March 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**
Comprising														
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 31 March 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**

Heritage Assets

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

	2021/22 £'000	2020/21 £'000
Royal Pavilion	116	164
Collections	0	0
West Blatchington Windmill	0	0
Rottingdean Windmill	0	0
Rare Books	0	0
Volks Railway	0	0
Cost of Acquisitions	**116**	**164**
Royal Pavilion	(7,891)	0
Collections	(0)	(350)
West Blatchington Windmill	(35)	0
Rottingdean Windmill	(8)	(147)
Rare Books	0	(247)
Volks Railway	(8)	5
Revaluation Increases/(Losses)	**(7,942)**	**(739)**
Royal Pavilion	163,197	170,972
Collections	32,919	32,919
West Blatchington Windmill	1,213	1,248
Rottingdean Windmill	443	451
Rare Books	8,240	8,240
Volks Railway	1,415	1,423
Carrying Amount as at 31 March	**207,427**	**215,253**

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 rolling programme for the revaluation of PPE assets.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost		6,183	48,291	217,380	2,312	21,632		**295,798**
Valued at fair value:								
2021/22	955,909	439,448					5,078	**1,400,434**
2020/21		163,540						**163,540**
2019/20		93,497						**93,497**
2018/19		20,390						**20,390**
2017/18		33,849						**33,849**
Before 2017/18		1,056						**1,056**
Gross carrying amount	**955,909**	**757,963**	**48,291**	**217,380**	**2,312**	**21,632**	**5,078**	**2,008,564**
Accumulated depreciation		(25,705)	(32,828)	(102,933)				**(161,466)**
Net carrying amount	**955,909**	**732,258**	**15,463**	**114,447**	**2,312**	**21,632**	**5,078**	**1,847,099**

Note: Assets last valued before 2017/18 are not included in the rolling programme due to a low individual materiality.

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

Property is valued according to the market value method which includes both comparison and residual (cost based) approaches 1) yield methodology (the value of the income stream, by reference to market rent for similar properties, and capitalisation rates from similar properties traded in the same geographic region), 2) adjusted sales comparison approach (the vacant possession value of similar properties and discount rates for similar properties traded in the same geographic region) and 3) residual appraisals (gross development values, construction costs, professional fees, finance costs, developer profit, statutory costs and development periods for assets considered to have development potential).

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

Quantitative Information about Fair Value Measurement of Surplus Assets				
Property Type	**Fair Value at 31 March 2022 £'000**	**Valuation Techniques used to measure fair value**	**Unobservable Inputs**	**Range of unobservable inputs**
Surplus Assets	5,077	Development Appraisal	Rental Values	Office: £64 to £175 per square meter
			Capital Values	Residential: £2,650 to £7,000 per square meter
			Capitalisation rate	Office: 5% to 12%
			Construction costs	Residential: £1,560 to £2,153 per square meter
				Office: £1,481 to £1,617 per square meter
			Land Values	Student Housing: £20,000 to £25,000 per unit

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

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

The council's investment property is valued according to one or more of the following two approaches 1) yield methodology (the value of the income stream for the term of the lease, by reference to the current rent for the property, rent review provisions, market rent for similar properties, and capitalisation rates from similar properties traded in the same geographic region) or 2) adjusted sales comparison approach (the vacant possession value of similar properties, the time until vacant possession will be achieved, and discount rates for similar properties traded in the same geographic region).

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

Quantitative Information about Fair Value Measurement (Investment Property)				
Property Type	Fair Value at 31 March 2022 £'000	Valuation Techniques used to measure fair value	Unobservable Inputs	Range of unobservable inputs
Urban Commercial	58,062	Yield Methodology	Rental Values	Retail: £131 to £1,151 psm Office: £134 to £269 psm Car park: £3 to £5 per space per day Garden Centre: £10 to £15 psm Public House (ground lease): £100 to £150 psm
			Capitalisation rate	Retail: 5% to 10% Office: 6% to 9.5% Car Park: 8% Garden Centre: 7% Public House (Ground lease): 5% to 6%

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

In estimating the fair value of the council's investment properties, the highest and best use of the properties is their current use. The loss in the financial year arising from changes in the fair value of the council's investment property was £3.747 million.

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 2022, 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. During 2021/22 the council has significant revaluation losses on the Royal Pavilion (£7.726 million), Madeira Drive Aquarium & Terraces (£1.393 million) and Brighton Centre land (£2.430 million).

Contractual Commitments

At 31 March 2022, the council had entered into the following contractual commitments in respect of non-current assets.

Contractual Commitments		
Scheme Name	**Description**	**£'000**
Housing stock programme		5,244
Other Land and Buildings		
City Development & Regen	Various regeneration projects across Brighton & Hove	6,945
City Environmental Management	Schemes in various parks	1,377
Culture Tourism and Sport	Royal Pavilion Estate works	1,294
Education and Skills	Works at various schools	2,228
Property	Works on various council properties	2,072
Transport	Various highways schemes	2,965
Vehicles, Plant, Furniture and Equipment		
Adult Social Care	Better care fund works	48
City Environmental Management	Various refuse vehicle costs	967
Culture Tourism and Sport	Seafront works	8
Education and Skills	Works at various schools	68
IT&D	IT&D upgrades	69
Perf Improvement & Programmes	Carefirst replacement project	4
Property	Portslade 6th form works	52
Transport	Various highways schemes	429
Intangible Fixed Assets		
City Development & Regen	Various regeneration projects across Brighton & Hove	211
Housing General Fund	Disabled facilities works	3
Perf Improvement & Programmes	Carefirst replacement project	100
Transport	Covered cycle rack project	40
Grand Total		**24,123**

Investment Property Income and Expenses

The council lets properties in its investment portfolio at the full market rent. The council received £3.061 million of income from investment properties in 2021/22 (£3.198 million 2020/21). No revenue expenditure was incurred in relation to investment properties.

Intangible Assets acquired by way of a Government Grant

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

11. Capital Investment and Capital Financing

The council made £110.152 million of capital investments in 2021/22. 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 2021/22 £42.484 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.

	2021/22 £'000	2020/21 £'000
Opening Capital Financing Requirement	**394,849**	**378,467**
Property, plant and equipment	97,179	80,454
Heritage assets	116	164
Intangible assets	3,257	2,856
Investment property	101	88
Revenue expenditure funded from capital under statute	5,432	2,740
Long term investments (which are part of the capital programme)	4,066	3,948
Capital Investment	**110,152**	**90,250**
Movement in long term debtors	2,173	2,223
Capital Investment (including long term debtors)	**112,324**	**92,473**
Capital receipts	(8,670)	(8,177)
Capital grants and contributions	(40,610)	(39,304)
Major repairs reserve (Housing Revenue Account)	(13,656)	(14,043)
Reserves	(4,548)	(2,144)
Revenue contributions	(183)	(5,034)
Capital Financing (excluding borrowing)	**(67,668)**	**(68,702)**
Repayment of loans (Minimum Revenue Provision)	(10,411)	(7,391)
Closing Capital Financing Requirement	**429,094**	**394,849**
Explanation of movements in capital financing requirement		
Increase in underlying need to borrow (unsupported by government)	42,484	21,547
Repayment of loans (Minimum Revenue Provision)	(10,411)	(7,390)
Increase in long term debtor	2,173	2,223
Increase/(Decrease) in Capital Financing Requirement	**34,246**	**16,380**

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 2021. The following table shows the amount set aside from revenue to repay debt.

	2021/22 £'000	2020/21 £'000
Supported Debt (debt where the Government provides revenue support)	2,328	2,328
Unsupported Debt (debt where no Government support is received)	4,517	3,853
Housing Revenue Account 'unsupported debt'	548	731
Charge equal to write down on PFI liabilities	3,019	479
Total Amount Set Aside from Revenue	**10,411**	**7,391**

12. Financial Instruments

Financial Assets	31 March 2022 Long Term £'000	31 March 2022 Short Term £'000	31 March 2022 Total £'000	31 March 2021 Long Term £'000	31 March 2021 Short Term £'000	31 March 2021 Total £'000
Fair value through profit or loss						
Investments	38	58,531	58,569	5,379	34,968	40,347
Amortised Cost						
Investments	29,530	178,196	207,726	30,199	80,206	110,405
Debtors	48,680	33,109	81,788	35,024	27,323	62,347
Total Financial Assets	**78,247**	**269,836**	**348,083**	**70,603**	**142,497**	**213,100**
Not Financial Assets	0	50,247	50,247	0	73,640	73,640
Total Assets	**78,247**	**320,083**	**398,330**	**70,603**	**216,137**	**286,740**

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

Financial Liabilities	31 March 2022 Long Term £'000	31 March 2022 Short Term £'000	31 March 2022 Total £'000	31 March 2021 Long Term £'000	31 March 2021 Short Term £'000	31 March 2021 Total £'000
Fair value through profit or loss						
Borrowings and creditors	0	0	0	0	0	0
Amortised cost						
Borrowing	(341,318)	(27,135)	(368,453)	(273,553)	(19,695)	(293,248)
Creditors	(37,612)	(55,226)	(92,838)	(40,878)	(50,432)	(91,310)
Total Financial Liabilities	**(378,930)**	**(82,361)**	**(461,291)**	**(314,431)**	**(70,127)**	**(384,558)**
Not Financial Liabilities	0	(149,532)	(149,532)	0	(100,441)	(100,441)
Total Liabilities	**(378,930)**	**(231,893)**	**(610,823)**	**(314,431)**	**(170,568)**	**(484,999)**

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

	2021/22		2020/21	
	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	495	0	37	0
Financial assets measure at fair value through profit or loss - dividends	(302)	0	(78)	0
Total net (gains)/losses	**193**	**0**	**(40)**	**0**
Financial assets measured at amortised cost - **Interest Revenue**	(636)	0	(1,036)	0
Financial liabilities measured at amortised cost - **Interest Expenses**	10,898	0	10,399	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 2022 £'000	31 March 2021 £'000
Money Market Funds (Low Volatility Net Asset Value Funds)	Level 1	Unadjusted quoted prices in active markets for identical shares	49,026	25,005
Pooled Funds (Variable Net Asset Value funds)	Level 1	Unadjusted quoted prices in active markets for identical shares	9,505	9,963
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 2022		31 March 2021	
	Carrying Amount £'000	Fair value £'000	Carrying Amount £'000	Fair value £'000
Long term investments	29,567	29,793	35,578	36,776
Long term debtors	48,680	48,680	35,024	34,024
Total Financial Assets	**78,247**	**78,473**	**70,602**	**70,800**

The total above includes a £9.408 million investment in Homes for the City of Brighton & Hove LLP (a joint venture between the Council and Hyde Housing Association). 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 2022		31 March 2021	
	Carrying Amount £'000	Fair value £'000	Carrying Amount £'000	Fair value £'000
Long term borrowing	(341,318)	(366,445)	(273,553)	(351,065)
PFI liabilities	(40,878)	(49,242)	(40,878)	(56,537)
Total Financial Liabilities	**(382,197)**	**(415,687)**	**(314,431)**	**(407,602)**

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

31 March 2022

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
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)**

31 March 2021

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
Long Term Investments at Amortised Cost	0	36,776	0	36,776
Long Term Debtors	0	35,024	0	35,024
Financial Assets	**0**	**71,800**	**0**	**71,800**
Long term borrowing	0	(351,065)	0	(351,065)
PFI and Lease Liabilities	0	0	(56,537)	(56,537)
Financial Liabilities	**0**	**(351,065)**	**(56,537)**	**(407,602)**

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 2022 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 2022 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 2021/22 was approved by full Council in February 2021 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 2022 that this was likely to occur.

Amounts arising from Expected Credit Losses (ECL)

	12 month ECL £’000	Lifetime ECL £’000	Lifetime ECL - Simplified Approach £’000	Total £’000
Balance 1 April 2021	**8**	**15,925**	**15,262**	**31,194**
Increase/(decrease) in credit loss allowance	(1)	(6,055)	(260)	(6,316)
Balance at 31 March 2022	**7**	**9,869**	**15,002**	**24,878**

12 Month ECL includes some third-party loans. Lifetime ECL includes some third-party loans, treasury investments and non-debtor system invoices. Lifetime ECL simplified includes the debtors control account, rents and penalty charge notices. The i360 seafront observation tower is included under lifetime ECL. The i360 ECL has been reduced to £9.238 million from £15.420 million (rescheduling of the debt as reported to June 2022 Policy & Resources Committee). 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, excluding sums due from customers, is as follows:

	31 March 2022 £'000	31 March 2021 £'000
Less than one year	293,740	157,448
Between one and two years	10,000	10,000
Between two and five years	5,000	15,000
Between five and ten years	14,445	10,379
Total Financial Assets	**323,186**	**192,827**

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 2022 £'000	31 March 2021 £'000
Less than one year	(72,991)	(59,902)
Between one and two years	(16,648)	(14,288)
Between two and five years	(40,899)	(46,642)
Between five and ten years	(46,232)	(47,199)
More than ten years	(278,099)	(209,316)
Total Financial Liabilities	**(454,868)**	**(377,347)**

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 2022 £'000	31 March 2021 £'000
Increase in interest payable on variable rate borrowings	144	98
Increase in interest receivable on variable rate investments	(1,159)	(846)
Impact on Comprehensive Income and Expenditure	**(1,015)**	**(748)**

Price risk
The council invested an additional £24 million in money market funds in 2021/22. 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 2022 £'000	31 March 2021 £'000
Local Taxation	25,796	46,252
Debtor System Control	21,310	16,846
Local Growth Fund Grants	10,216	11,345
HMRC	6,055	3,570
Payments in Advance	2,951	3,139
HRA & Temporary Accommodation	2,550	692
Parking	364	472
Other	14,114	18,647
Total Short Term Debtors	**83,355**	**100,963**

£33.109 million (£27.323 million end March 2021) 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 2022 £'000	31 March 2021 £'000
i360 development	38,155	25,753
Finance lease	5,814	5,767
Other long term debtors	4,711	3,505
Total Long Term Debtors	**48,680**	**35,024**

The movement between years is largely due to a reduction in the expected credit loss for the i360 debt (rescheduling of the debt as reported to June 2022 Policy & Resources Committee).

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

14. Creditors

	31 March 2022 £'000	31 March 2021 £'000
Grants & Contributions	(78,376)	(70,047)
Receipts in Advance	(21,151)	(16,800)
C2C Local Enterprise Partnership (LEP)	(34,787)	0
Creditors Control Account	(7,495)	(7,212)
HMRC	(6,267)	(4,892)
Pensions	(5,927)	(4,691)
PFI Finance Lease Liability	(3,267)	(3,019)
Other	(47,488)	(44,212)
Total Short Term Creditors	**(204,758)**	**(150,873)**

The substantial year-on-year increase in creditors is largely due to the council acting as an agent from 1 April 2021 for the Coast to Capital (C2C) Local Enterprise Partnership (LEP) (£34.787 million of investments offset by an equal and opposite creditor) and the council is also holding £16.491 million of grant funding to be distributed in 2022/23 for the council tax rebate scheme which was paid over by central government in March 2022 (£150 per household in council tax bands A-D).

£55.226 million (£50.432 million 31 March 2021) 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 2021 £'000	Additional Provisions Made £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Balance 31 March 2022 £'000
Other provisions	(450)	(2,612)	450	0	(2,612)
Short Term Provisions	**(450)**	**(2,612)**	**450**	**0**	**(2,612)**
Voluntary severance scheme provision	(300)	(492)	292	0	(500)
Insurance provision	0	(4,326)	0	0	(4,326)
Business rates appeals provision	(5,691)	(348)	1,748	186	(4,105)
Other provisions	(124)	0	0	0	(124)
Long Term Provisions	**(6,115)**	**(5,166)**	**2,040**	**186**	**(9,055)**
Total Provisions	**(6,565)**	**(7,778)**	**2,490**	**186**	**(11,667)**

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

	2021/22 £'000	2020/21 £'000
Department for Levelling Up, Housing and Communities	(66,190)	(103,304)
Department of Health & Social Care	(15,786)	(200)
Department for Work and Pensions	(981)	(1,137)
Department for Education	(86)	(68)
Revenue government grants credited to taxation and non-specific grant income	**(83,043)**	**(104,708)**
Ring fenced revenue government grants credited to cost of services		
Department for Education	(203,297)	(198,043)
Department for Work and Pensions	(115,458)	(118,750)
Department of Health & Social Care	(31,497)	(24,211)
Department for Levelling Up, Housing and Communities	(15,640)	(12,516)
Department for Business, Energy & Industrial Strategy	(4,222)	(13,047)
Other government departments	(2,466)	(2,112)
Department for Transport	(1,344)	(16,967)
Ring fenced revenue government grants credited to cost of services	**(373,924)**	**(385,646)**
Total Government Revenue Grants	**(456,967)**	**(490,355)**

Non-Government Revenue Grants and Contributions

	2021/22 £'000	2020/21 £'000
Contributions from health	(22,086)	(24,955)
Contributions from other agencies and external bodies	(2,253)	(2,054)
Other contributions, donations and sponsorship	(2,071)	(1,142)
Contributions from other local authorities	(2,059)	(2,813)
Contributions from developers and stakeholders	(876)	(235)
Non-government grants	(511)	(771)
Total Non-Government Revenue Grants and Contributions credited to cost of services	**(29,856)**	**(31,970)**

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.

	2021/22 £'000	2020/21 £'000
Department for Education	(17,890)	(11,195)
Department for Levelling Up, Housing and Communities	(6,377)	0
Department for Transport	(6,146)	(6,763)
Contributions from developers and stakeholders	(2,303)	(2,151)
Other contributions	(1,004)	(8,769)
Heritage Lottery Fund	(495)	(3,499)
Other government departments	(390)	(2,390)
Capital grants and contributions credited to taxation and non-specific grant income	**(34,605)**	**(34,767)**
Department of Health & Social Care	(2,316)	(1,872)
Department of Levelling Up, Housing & Communities	(444)	0
Department for Education	(357)	(183)
Department for Transport	(149)	0
Other contributions	(572)	(336)
Capital grants and contributions credited to cost of services	**(3,838)**	**(2,391)**
Total Capital Grants and Contributions	**(38,443)**	**(37,158)**

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).

	2021/22 £'000	2020/21 £'000
Department for Education	(27,288)	(34,212)
Contributions from developers and stakeholders	(22,803)	(20,130)
Department for Transport	(10,023)	(6,830)
Other contributions	(6,310)	(381)
Ministry of Housing, Communities & Local Government	(3,201)	(1,002)
Department of Health	(480)	(483)
Total Capital Grants Receipts in Advance	**(70,105)**	**(63,038)**

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.

2021/22	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'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)**

2020/21	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2020/21 before academy recoupment	(26,046)	(159,859)	(185,905)
Less academy figure recouped for 2020/21	0	15,477	15,477
Other Budget adjustments	116	0	116
Total DSG after academy recoupment for 2020/21	**(25,930)**	**(144,382)**	**(170,312)**
Brought forward from 2019/20	(703)	0	(703)
Agreed initial budgeted distribution in 2020/21	**(26,633)**	**(144,382)**	**(171,015)**
In-year budget adjustments	(1)	1	0
Final budget distribution for 2020/21	**(26,634)**	**(144,381)**	**(171,015)**
Less actual central expenditure	26,273	0	26,273
Less actual ISB deployed to schools	0	144,381	144,381
Private, Voluntary and Independent providers to be funded by DSG	(385)	0	(385)
Carry forward to 2021/22	**(746)**	**0**	**(746)**

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 2021/22 are valued at £6.185 million (2020/21 £6.713 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 2022	31 March 2021
	£'000	£'000
Not later than one year	7,598	9,222
Later than one year and not later than five years	5,891	7,863
Later than five years	822	583
Total Future Minimum Lease Payments	**14,311**	**17,667**

In addition, the council is also liable to pay £2.403 million within 12 months for 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 2021/22 was £10.713 million (2020/21 £11.615 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 2022	31 March 2021
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):		
Current	8	7
Non current	6,116	6,124
Unearned finance income	36,759	37,209
Total Gross Investment in the Leases	**42,883**	**43,340**

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	Present Value of Minimum Lease Payments	Gross Investment in the Lease	of Minimum Lease Payments
	31 March 2022	31 March 2022	31 March 2021	31 March 2021
	£'000	£'000	£'000	£'000
Not later than one year	457	8	457	7
Later than one year and not later than five years	2,287	50	2,287	47
Later than five years	40,138	6,065	40,596	6,077
Total	**42,883**	**6,124**	**43,340**	**6,131**

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 2021/22, £16.306 million contingent rents were receivable by the council (2020/21 £16.399 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 2022	31 March 2021
	£'000	£'000
Not later than one year	8,221	8,709
Later than one year and not later than five years	20,803	21,393
Later than five years	102,758	102,622
Total Future Minimum Lease Payments	**131,782**	**132,724**

The minimum lease payments owed to the council do not include changes to future rental payments. In 2021/22 £0.079 million of contingent rents were receivable by the council (2020/21 £0.436 million).

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 2021/22.

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 £85.180 million at end March 2022 (£74.227 million March 2021).

2021/22	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Balance as at 1 April 2021				
Gross carrying amount	40,346	24,891	12,667	**77,904**
Accumulated depreciation	(1,214)	(2,463)	0	**(3,677)**
Net Carrying Amount at 1 April 2021	**39,132**	**22,428**	**12,667**	**74,227**
Additions	4,201	0	0	**4,201**
Asset disposals				
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve				
Revaluation increases	1,392	8,092	1,585	**11,069**
Revaluation losses	(2,392)	(198)	0	**(2,590)**
Transactions charged to the surplus / deficit on the provision of services in the CIES				
Depreciation charge	(1,832)	(745)	(520)	**(3,097)**
Revaluation (losses)	(564)	(647)	0	**(1,211)**
Reversal of previous revaluation losses	50	2,518	13	**2,581**
Net Carrying Amount at 31 March 2022	**39,987**	**31,448**	**13,745**	**85,180**
Gross carrying amount	42,726	33,680	13,745	**90,151**
Accumulated depreciation	(2,739)	(2,232)	0	**(4,971)**
Net Carrying Amount at 31 March 2022	**39,987**	**31,448**	**13,745**	**85,180**

2020/21	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
Balance as at 1 April 2020				
Gross carrying amount	43,744	24,906	12,548	**81,198**
Accumulated depreciation	(1,061)	(2,353)	0	**(3,414)**
Net Carrying Amount at 1 April 2020	**42,683**	**22,553**	**12,548**	**77,784**
Additions	1,660	0	0	**1,660**
Asset disposals				
Transactions in respect of the surplus on revaluation of non current assets within the CIES recognised in the revaluation reserve				
Revaluation increases	0	0	624	**624**
Revaluation losses	(1,744)	0	0	**(1,744)**
Transactions charged to the surplus / deficit on the provision of services in the CIES				
Depreciation charge	(1,849)	(691)	(505)	**(3,045)**
Revaluation (losses)	(2,104)	0	0	**(2,104)**
Reversal of previous revaluation losses	486	566	0	**1,052**
Net Carrying Amount at 31 March 2021	**39,132**	**22,428**	**12,667**	**74,227**
Gross carrying amount	40,346	24,891	12,667	**77,904**
Accumulated depreciation	(1,214)	(2,463)	0	**(3,677)**
Net Carrying Amount at 31 March 2021	**39,132**	**22,428**	**12,667**	**74,227**

Liabilities - PFI Contracts

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**

2020/21	Schools PFI Contract £'000	Waste PFI Contract £'000	Library PFI Contract £'000	Total £'000
At 1 April 2020	**9,120**	**30,369**	**4,886**	**44,375**
Lease Repayment	(763)	618	(334)	**(479)**
At 31 March 2021	**8,357**	**30,987**	**4,552**	**43,896**

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.

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**

2020/21	Repayment of Liability	Interest Costs	Payment For Services	Total
	£'000	£'000	£'000	£'000
Within 1 year	854	873	1,651	**3,378**
Within 2 to 5 years	4,439	2,510	7,071	**14,020**
Within 6 to 10 years	3,064	495	3,774	**7,333**
Total Payments Due - Schools	**8,357**	**3,878**	**12,496**	**24,731**
Within 1 year	1,803	1,697	10,140	**13,640**
Within 2 to 5 years	8,448	5,750	44,120	**58,318**
Within 6 to 10 years	13,906	4,276	63,318	**81,500**
Within 11 to 15 years	6,831	573	28,117	**35,521**
Total Payments Due - Waste	**30,988**	**12,296**	**145,695**	**188,979**
Within 1 year	362	383	1,814	**2,559**
Within 2 to 5 years	1,785	1,200	7,829	**10,814**
Within 6 to 10 years	2,405	521	8,912	**11,838**
Total Payments Due - Library	**4,552**	**2,104**	**18,555**	**25,211**
Within 1 year	3,019	2,953	13,605	**19,577**
Within 2 to 5 years	14,672	9,460	59,020	**83,152**
Within 6 to 10 years	19,375	5,292	76,004	**100,671**
Within 11 to 15 years	6,831	573	28,117	35,521
Total Payments Due - All	**43,897**	**18,278**	**176,746**	**238,921**

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.

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 2021/22 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 2021/22, the council paid levies of £0.216 million (£0.213 million 2020/21) 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 2021/22 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 2021/22. 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 £1.4 million in 2021/22.

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 2021/22, the council provided Chief Finance Officer (S151), financial and other services to the South Downs National Park Authority (SDNPA) on a contractual basis. During 2021/22, the council received £0.314 million (£0.305 million 2020/21) in respect of these services. The council also had short-term borrowing with the SDNPA of £8.443 million as at 31 March 2022 (£11.798 million 31 March 2021) 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 council provided a loan of £0.220 million to **Saltdean Lido Community Interest Company** in December 2017 for the purpose of enabling a funding bid to restore the Saltdean Lido. The loan is interest free and repayable over five years dependant on a successful funding bid. £0.180 million of the loan was repaid in 2021/22.

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. The company's strategic financial model requires the council to make available financing of up to circa £60 million to build the new homes after allowing for the proceeds from the sale of new homes. The council will receive distributions of 50% of the net surpluses of the company. The council will also provide Corporate & Financial Services to the company.

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. 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. There still remains a relationship with the LLP and the council as defined by the original agreement signed in 2017, whereby financing will need to be made available during the development of those 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.

Neither of the two closely related organisations above are controlled by the council and the council's total equity investment at 31 March 2022 is £9.4 million (matched equally by the other party to the arrangement Hyde Housing).

Orbis is a partnership between Brighton & Hove City Council, Surrey County Council and East Sussex County Council that aims to provide Internal Audit, Insurance, Treasury Management & Taxation, Procurement and IT & Digital services to the partners as well as sell services externally to the public sector. During 2021/22 the partnership was revised following a review of the partners' requirements and the overall aims of the partnership, following which it was agreed that the HR, Finance and Business Operations functions would return to individual council control. HR and Finance services were withdrawn from the partnership on 1 July 2021 while Business Operations was withdrawn on 1 April 2022. The council has entered into a revised Inter-Authority Agreement with the two partner authorities from 1 April 2022 which includes revised 'contribution ratios' and sets out the financial management and business planning arrangements. During 2021/22, there was also a change in governance and the Orbis Joint Committee was replaced by an 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.

		2021/22				2020/21			
	Note	Salary (including Fees & Allowances)	Compensation for loss of office	Pension Contributions	Total Remuneration including Pension Contributions	Salary (including Fees & Allowances)	Compensation for loss of office	Pension Contributions	Total Remuneration including Pension Contributions
Chief Executive - Geoff Raw	**1**	£180,089	£0	£33,919	**£214,007**	£163,575	£0	£34,024	**£197,599**
Executive Director Finance & Resources	**2**	£77,482	£0	£15,861	**£93,342**	£103,274	£0	£21,481	**£124,755**
Executive Director Families, Children & Learning		£127,288	£0	£25,839	**£153,127**	£119,808	£0	£24,920	**£144,728**
Executive Lead for Strategy, Governance & Law	**3**	£72,943	£0	£15,026	**£87,969**	£105,667	£0	£21,979	**£127,646**
Executive Director Economy, Environment & Culture		£127,288	£0	£25,839	**£153,127**	£125,407	£0	£26,085	**£151,492**
Executive Director Health & Adult Social Care		£127,288	£0	£25,839	**£153,127**	£125,407	£0	£26,085	**£151,492**
Executive Director Neighbourhoods, Communities & Housing		£127,288	£0	£25,839	**£153,127**	£178,218	£0	£7,492	**£185,710**
Executive Director Governance, People & Resources	**4**	£37,178	£0	£7,601	**£44,779**	£0	£0	£0	**£0**
Chief Finance Officer	**5**	£31,426	£0	£6,420	**£37,846**	£0	£0	£0	**£0**
Director of Human Resources & Organisational Development	**5**	£31,426	£0	£6,420	**£37,846**	£0	£0	£0	**£0**
	Total	**£939,696**	**£0**	**£188,604**	**£1,128,300**	**£921,355**	**£0**	**£162,064**	**£1,083,420**

1. The Chief Executive's total remuneration included payments totalling £14,319 for returning officer duties fully funded by central government.
2. The Executive Director Finance & Resources post was covered on an interim job share basis from 1 April 2021 to 15 December 2021. Due to a restructure of the Executive Leadership Team (ELT) this post was deleted on the 16 December 2021.
3. The Executive Lead for Strategy Governance & Law post was deleted on the 5 December 2021 due to a restructure of ELT.
4. The Executive Director Governance, People & Resources post was appointed to on the 6 December 2021 as part of a restructure of ELT.
5. The Chief Finance Officer and Director of Human Resources & Organisational Development posts were created as part of the restructure of ELT and were appointed to on the 16 December 2021.

No expense allowances were paid in either 2021/22 or 2020/21.

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	2021/22 Number of Employees	2020/21 Number of Employees
£50,000 - £54,999	115	159
£55,000 - £59,999	119	58
£60,000 - £64,999	49	49
£65,000 - £69,999	47	31
£70,000 - £74,999	21	21
£75,000 - £79,999	7	6
£80,000 - £84,999	9	7
£85,000 - £89,999	6	9
£90,000 - £94,999	9	11
£95,000 - £99,999	7	3
£100,000 - £104,999	2	2
£105,000 - £109,999	1	0
£110,000 - £114,999	1	0
£115,000 - £119,999	0	1
£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	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	0	0
£175,000 - £179,999	0	0
£180,000 - £184,999	0	1
Total	**393**	**358**

22. Members' allowances and expenses

In 2021/22 the council paid £0.896 million (2020/21 £0.880 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 2020/21). 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 2021/22 at a cost of £0.578 million (2020/21 £0.489 million). This includes £0.497 million for exit packages and £0.081 million for associated costs.

The council had a provision of £0.500 million at 31 March 2022 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	
	2021/22 No.	2020/21 No.	2021/22 No.	2020/21 No.	2021/22 No.	2020/21 No.	2021/22 £'000	2020/21 £'000
£0 - £20,000	0	0	38	26	38	26	235	170
£20,001 - £40,000	0	0	5	2	5	2	131	65
£40,001 - £60,000	0	0	3	2	3	2	142	96
£60,001 - £80,000	0	0	1	1	1	1	70	62
£80,001 - £100,000	0	0	0	1	0	1	0	96
Total	**0**	**0**	**47**	**32**	**47**	**32**	**578**	**489**

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 2021/22 the council paid £15.962 million (2020/21 £15.678 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 2021/22 the authority paid £0.041 million (2020/21 £0.039 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 2022. Liabilities for the scheme have been assessed on an actuarial basis using the projected unit credit method (i.e. an estimate of the pensions that will be payable in future financial years dependent on assumptions about mortality rates, salary levels etc.). Actuarial assumptions are used by the actuary to calculate the valuation of the scheme. Risks and uncertainties are inherently associated with the assumptions that are adopted. The assumptions are in effect projections of future investment returns and demographic trends many years into the future and there is inevitably a great deal of uncertainty inherent in what constitutes the 'best estimate' with such projections as required by IAS 19 Employee Benefits. The actuary has interpreted 'best estimate' to mean that the proposed assumptions are 'neutral' and has advised that there is an equal chance of actual experience being better or worse than the assumptions used. The following table shows the principal assumptions used by the actuary as at 31 March 2022.

	31 March 2022	31 March 2021
Assumed life expectation at 65 retiring today - men	21.2	21.1
Assumed life expectation at 65 retiring today - women	23.8	23.7
Assumed life expectation at 65 retiring in 20 years - men	22.0	21.9
Assumed life expectation at 65 retiring in 20 years - women	25.0	25.0
Discount/return on assets rate	2.60%	2.00%
Pension increases	3.25%	2.85%
Salary increases	3.25%	2.85%
CPI inflation	3.25%	2.85%

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
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	1,649,346	1,683,436	1,718,264
Projected service cost	65,589	67,315	69,083
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	1,685,498	1,683,436	1,681,385
Projected service cost	67,353	67,315	67,278
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	1,715,947	1,683,436	1,651,577
Projected service cost	69,065	67,315	65,604
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	1,760,178	1,683,436	1,610,128
Projected service cost	70,429	67,315	64,323

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.

	2021/22 £'000	2020/21 £'000
Service Cost Comprising:		
Current service cost	75,074	61,131
Past service costs	351	377
Financing and Investment Income and Expenditure		
Net interest expense	8,460	6,638
Post Employment Benefits charged to the Provision of Services	**83,885**	**68,146**
Remeasurement of the Net Defined Benefit Liability comprising:		
Return on scheme assets	(122,288)	(200,630)
Change in demographic assumptions	0	(21,682)
Change in financial assumptions	(78,780)	349,097
Experience adjustments	3,459	(17,436)
Adjustment re remeasurements of the pension scheme	(314)	(1,056)
Post Employment Benefits charged to 'Other Income and Expenditure' the CIES	**(197,923)**	**108,293**
Total Post Employment Benefits charged to the CIES	**(33,591)**	**(33,091)**
Movement in Reserves Statement		
Reversal of IAS 19 charges	83,885	68,146
Net Adjustment to the Pension Reserve (balance sheet)	**(147,629)**	**143,348**

Assets and Liabilities in relation to Post-Employment Benefits

	2021/22 £'000	2020/21 £'000
Present value of the scheme liabilities	(1,683,436)	(1,681,246)
Fair value of scheme assets	1,414,743	1,264,924
Net Liability arising from Defined Benefit Obligation	**(268,693)**	**(416,322)**

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.

	2021/22 £'000	2020/21 £'000
Opening defined benefit obligation	**1,681,246**	**1,311,765**
Current service cost	74,252	54,381
Interest cost	32,272	27,859
Change in financial assumptions	(78,780)	349,097
Change in demographic assumptions	0	(21,682)
Experience gain/(loss) on defined benefit obligations	3,459	(17,436)
Liabilities assumed/(extinguished) on settlements	0	4,626
Estimated benefits paid net of transfers in	(37,290)	(35,209)
Past service costs including curtailments	351	377
Contributions by scheme participants and other employers	10,099	8,736
Past service cost	(2,173)	(1,268)
Closing defined benefit obligation	**1,683,436**	**1,681,246**

Pension Scheme Assets

	2021/22 £'000	2020/21 £'000
Opening fair value of fund assets	**1,264,924**	**1,038,791**
Interest on assets	23,812	21,221
Return on assets less interest	122,288	200,630
Other actuarial gains/(losses)	0	0
Administration expenses	(822)	(1,048)
Contribution by employer including unfunded	33,905	33,770
Contributions by scheme participants and other employers	10,099	8,736
Estimated benefits paid plus unfunded net of transfers in	(39,463)	(36,477)
Settlement prices received/paid	0	(699)
Closing fair value of fund assets	**1,414,743**	**1,264,924**

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 2022	
	Quoted	Unquoted
Index Linked Government Securities - UK	0.0%	3.0%
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%	38.0%
Property	0.0%	8.0%
Absolute return portfolio	0.0%	22.0%
Private Equity	0.0%	8.0%
Infrastructure	0.0%	3.0%
Private Debt	0.0%	1.0%
Cash/Temporary Investments	2.0%	0.0%
Net Current Assets - Debtors	0.0%	0.0%
Net Current Assets - Creditors	0.0%	0.0%
Total	**7.0%**	**92.0%**

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 next triennial valuation is due to be completed on 31 March 2023.

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 2022 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 2019 actuarial valuation report dated 31 March 2020, which can be found on East Sussex County Council's website, www.eastsussex.gov.uk.

Projected pension expense for the year to 31 March 2022

	31 March 2023 £'000
Service cost	67,315
Net interest on the defined liability (asset)	6,558
Administration expenses	826
Total loss/(profit)	**74,699**
Employer contributions	**30,991**

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022.

26. External Audit Costs

In 2021/22, the council incurred the following costs in relation to the audit of the financial statements and the certification of grant claims and returns.

External Audit Costs

	2021/22 £'000	2020/21 £'000
Fees payable to the external auditors for audit services	194	187
Fees payable to the external auditors for certification of grant claims and returns	28	28
Refund from Public Sector Audit Appointments	(24)	0
Department for Levelling Up, Housing and Communities Redmond Review	0	(63)
Total External Audit Costs	**198**	**152**

27. Agency Services

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

Council Tax
The council is a billing authority for council tax and acts as an agent on behalf of the Sussex Police & Crime Commissioner and the East Sussex Fire Authority. The council has included a debtor of £1.170 million (£1.604 million 2020/21) for council tax income collected as an agent but which has been overpaid to the two preceptors at end March 2022.

Non Domestic Rates (NDR)
The council is a billing authority for non-domestic rates and acts as an agent on behalf of central government and the East Sussex Fire Authority. The cash collected by the council from non-domestic rates taxpayers belongs proportionately to the council, central government and the precepting authority. The council has recognised a debtor of £15.795 million (debtor of £34.328 million 2020/21) 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 2022.

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 2021/22, 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. he 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 2021/22 is £25.823 million (2020/21 £21.335 million) including Clinical Commissioning Group contributions.

	2021/22	2020/21
	£'000	£'000
Sussex Partnership Foundation Trust	328	432
Brighton & Hove City Council	19,139	17,381
Brighton & Hove Clinical Commissioning Group	6,356	3,522
Total Section 75 Contributions	**25,823**	**21,335**

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 2021/22 was £33.430 million (2020/21 £31.923 million).

	2021/22 £'000	2020/21 £'000
Brighton & Hove City Council	(12,142)	(11,471)
Brighton & Hove Clinical Commissioning Group	(21,288)	(20,451)
Total Better Care Fund	**(33,430)**	**(31,923)**

Better Care Fund - Memorandum Account

2021/22	CCG £'000	Council £'000	Total £'000
Income and Expenditure			
Contribution to the Pooled Budget - Cash or Kind	(21,288)	(12,142)	(33,430)
Net Expenditure from the Pooled Budget	12,824	20,606	33,430
Surplus/(Deficit) to be shared across parties to the pooled budget			**0**
Balance Sheet			
Contribution to the pooled budget	(21,288)	(12,142)	(33,430)
Total Spend	(21,288)	(12,142)	(33,430)
Cash	22,835	11,968	34,802
Debtors	0	174	174
Creditors	(1,546)	0	(1,546)
Cumulative Surplus/Deficit	**(0)**	**0**	**0**

There was no surplus or deficit for the Better Care Fund Memorandum Account for 2021/22 or 2020/21.

ORBIS Joint Operating Budget

Orbis is a shared back office services partnership between Brighton and Hove City Council, East Sussex County Council, and Surrey County Council. Funding provided to the pooled budget in 2021/22 was £35.187 million (2020/21 £39.911 million). The funding included: Surrey County Council £17.249 million (2020/21 £17.218 million), East Sussex County Council £9.446million (2020/21 £11.740 million) and Brighton and Hove City Council £8.491 million (2020/21 £10.953 million). The expenditure met from the pooled budget in 2021/22 was £35.187million (2020/21 £39.911 million) resulting in a net surplus/deficit on the pooled budget of £nil in both 2021/22 and 2020/21.

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 2021 £'000	Expenditure £'000	Income £'000	Balance 31 March 2022 £'000
2,028	**Brighton Fund**	**(128)**	55	(55)	**(128)**
5,023	**Gorham's Gift**	**91**	149	(127)	**113**
1,103	**Hedgcock Bequest**	**(152)**	43	(39)	**(147)**
82	**Music Trust**	**1**	28	(5)	**24**
193	**Various library and museum bequests**	**(216)**	0	(5)	**(221)**
8,429	**Total Trust Fund Accounts**	**(404)**	**275**	**(231)**	**(360)**

The capital market value shows the valuation of Charities Official Investment Fund shares and other investments at the mid-market prices at 31 March 2022. 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 2022 £'000	Year ending 31 March 2021 £'000
Expenditure		
Repairs and maintenance	9,780	5,462
Supervision and management	28,320	26,848
Rents, rates, taxes and other charges	1,617	1,596
Non-current asset charges	12,042	21,272
Debt management costs	66	34
Movement in allowance for bad debts	653	362
Total Expenditure	**52,477**	**55,575**
Income		
Dwelling rents	(52,751)	(51,482)
Non-dwelling rents	(1,523)	(1,306)
Charges for services and facilities	(5,454)	(5,569)
Other income	(1,002)	(2,948)
Total Income	**(60,731)**	**(61,305)**
Net (Income)/Expenditure	**(8,254)**	**(5,730)**
Share of corporate and democratic core	248	243
Net (Income)/Expenditure included in CIES	**(8,006)**	**(5,487)**
Gain on disposal of non-current assets	(4,299)	(1,763)
Changes in the fair value of investment properties	(9)	(35)
Investment property income	(35)	(34)
Interest payable	5,737	5,302
Interest receivable	(12)	(26)
Capital grants and contributions	(5,502)	(1,661)
Net interest on the net defined benefit liability	653	491
Share of Operating Income and Expenditure	**(3,468)**	**2,273**
(Surplus)/Deficit on the Provision of Services	**(11,474)**	**(3,214)**

HRA Rent Arrears and Bad Debt Provision

The dwellings rent arrears was £3.562 million at the end of March 2022 (£2.703 million end March 2021). Arrears as a proportion of gross rental income increased from 5.1% to 6.5%. The provision for bad debts is detailed in the table overleaf.

	2021/22 £'000	2020/21 £'000
Impairment 1 April 2021	**1,858**	**1,792**
Change in impairment charged to the HRA	653	362
Rent arrears and other bad debts written off	(69)	(297)
Impairment 31 March 2022	**2,442**	**1,858**

Value of HRA Assets held on the Balance Sheet

	31-Mar-22 £'000	31-Mar-21 £'000
Council dwellings	955,909	912,447
Other land and builldings	14,952	15,246
Assets under construction	20,039	9,825
Investment properties	285	275
Other	1,602	1,117
Total	**992,787**	**938,910**

HRA Stock/Dwellings

The council managed 11,707 dwellings end March 2022 (11,695 end March 2021).

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**

2020/21	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	3,524	2,874	206	1	6,616
Houses	0	21	1,402	2,351	289	4,063
Maisonettes	0	2	99	64	6	171
Total Dwellings	**605**	**3,745**	**4,403**	**2,645**	**297**	**11,695**

This movement in council dwellings is as follows:

	2021/22 No.	2020/21 No.
Stock 1 April 2021	11,695	11,566
Sales	(48)	(24)
Conversions/new homes	60	153
Stock 31 March 2022	**11,707**	**11,695**

HRA Capital Investment and Financing

The council made £50.768 million of capital investment in the Housing Revenue Account (HRA) in 2021/22. The following table sets out the resources that have been used to finance that investment.

	2021/22	2020/21
	£'000	£'000
Total Capital Investment	**50,768**	**38,169**
Major Repairs Reserve	(13,656)	(14,043)
Revenue contributions	0	(4,659)
Reserves	(3,815)	(1,164)
HRA balance	0	(414)
Capital receipts	(7,275)	(5,681)
Capital grants and contributions	(5,600)	(2,208)
HRA Borrowing	(20,000)	(10,000)
General Fund balance	(422)	0
Total Funding	**(50,768)**	**(38,169)**

Housing Capital Receipts

Receipts from the sale of HRA assets in 2021/22.

	2021/22	2020/21
	£'000	£'000
Right to buy sales of houses and flats	8,228	3,582
Sale of land and other property	36	58
Mortgages repayments	0	3
Total	**8,265**	**3,643**

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).

Collection Fund Statement

Year Ended 31 March 2021		Year Ended 31 March 2022		
		Council Tax	Non Domestic Rates	Total
£'000		£'000	£'000	£'000
(175,504)	Council tax	(185,775)		**(185,775)**
(49,366)	Non-domestic rates		(83,823)	**(83,823)**
(224,870)		**(185,775)**	**(83,823)**	**(269,598)**
(812)	Transitional protection payments non-domestic rates		(540)	**(540)**
	Contributions towards previous year's Collection Fund deficit			
0	Central Government	0	(35,796)	**(35,796)**
(1,346)	Brighton & Hove City Council	(1,970)	(35,081)	**(37,051)**
(160)	Sussex Police & Crime Commissioner	(237)	0	**(237)**
(79)	East Sussex Fire Authority	(114)	(716)	**(830)**
(1,585)	**Contributions towards previous year's Collection Fund deficit**	**(2,321)**	**(71,593)**	**(73,914)**
(227,266)	**Total amount required by statute to be credited to the Collection Fund**	**(188,096)**	**(155,956)**	**(344,052)**
	Precepts and demands from major preceptors and the council - council tax			
150,597	Brighton & Hove City Council	155,965		**155,965**
18,136	Sussex Police & Crime Commissioner	19,233		**19,233**
8,667	East Sussex Fire Authority	8,719		**8,719**
177,400		**183,917**		**183,917**
	Shares of non-domestic rates income to major preceptors and the council			
58,906	Brighton & Hove City Council		60,559	**60,559**
1,202	East Sussex Fire Authority		1,236	**1,236**
60,108			**61,795**	**61,795**
60,108	Payment with respect to central share (including allowable deductions) of the non-domestic rates income to be paid to central government		**61,795**	**61,795**
	Impairment of debts / appeals for council tax			
696	Write off of uncollectable amounts	1,124		**1,124**
3,523	Allowance for impairment	719		**719**
4,219		**1,843**		**1,843**
	Impairment of debts / appeals for non-domestic rates			
14	Write off of uncollectable amounts		95	**95**
5,139	Allowance for impairment		(63)	**(63)**
5,153			**32**	**32**
(1,040)	Movement in the provision for business rates appeals		(3,236)	**(3,236)**
445	Charge to General Fund for allowable collection fund costs for non-domestic rates		441	441
(595)			**(2,795)**	**(2,795)**
	Contributions towards previous year's Collection Fund surplus			
2,180	Central Government	0	0	**0**
2,137	Brighton & Hove City Council	0	0	**0**
0	Sussex Police & Crime Commissioner	0	0	**0**
44	East Sussex Fire Authority	0	0	**0**
4,361		**0**	**0**	**0**
310,754	**Total amount required by statute to be debited to the Collection Fund**	**185,760**	**120,827**	**306,587**
83,487	**Movement on the Collection Fund Balance**	**(2,336)**	**(35,129)**	**(37,465)**
(2,021)	**Opening Collection Fund Balance**	**6,645**	**74,821**	**81,466**
81,466	**Closing Collection Fund Balance**	**4,309**	**39,692**	**44,001**

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*	25	20.75	5/9	11.50
Band A	26,068	17,367.75	6/9	11,578.50
Band B	27,985	21,155.75	7/9	16,454.50
Band C	31,713	26,368.00	8/9	23,438.20
Band D	18,627	16,539.25	9/9	16,539.30
Band E	10,935	10,069.75	11/9	12,307.50
Band F	4,554	4,262.25	13/9	6,156.60
Band G	2,675	2,535.50	15/9	4,225.80
Band H	168	161.50	18/9	323.00
				91,034.90
Less provision for losses on collection				- 1,541.90
Tax Base for 2021/22				**89,493.00**
Tax Base for 2020/21				**90,722.80**

* Entitled to disabled relief reduction.

The estimated gross council tax yield (before the provision for losses in collection) for 2021/22 of £187.086 million was based on Band D equivalent dwellings of 91,034.9 multiplied by the average Band D council tax charge £2,055.10. The actual gross council tax yield for 2021/22 was £186.972 million – c£0.114 million lower than forecast (a decrease of 55 Band D dwellings). The estimated and actual tax base amounts will also vary due to a number of factors which include, for example, the outcome of banding appeals, numbers of completed new residential properties and entitlements to exemptions and discounts. The year end deficit of £4.309m results includes £3.581m 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.

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, 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 was £308.684 million at 31 March 2022 (£310.220 million at 31 March 2021). The non-domestic multiplier for 2021/22 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 balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the Capital Adjustment Account. HRA impairment losses and reversals are actual charges to the HRA balance.

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

General Fund depreciation charges are not permitted by 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.

Item 8 Credit and Debit (General) Determination covers the actual charges for capital in the HRA.

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

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