



Statement of Accounts

2007/08

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EXPLANATORY FOREWORD

Introduction

1. Introduction

This foreword provides a brief explanation of the Council's Statement of Accounts for 2007/08, which are set out on pages 18 to 45 of this document and supported by the Statement of Responsibilities (page 11), the Annual Governance Statement (pages 12 to 17) and the Statement of Accounting Policies (pages 6 to 10).

The Statement of Accounts has been compiled to comply with the Statement of Recommended Practice (SORP) as issued and regularly reviewed by CIPFA. The annual revision to the SORP has resulted in more changes to the Statement this year; introducing fair value and financial instruments to the accounts for the first time.

2. Income and Expenditure Account

This account covers operating income and expenditure on General Fund services. It shows how the net cost of all the Council's revenue activities has been financed from government grants and income from local taxpayers. The Income and Expenditure Account is set out on page 18.

Further details of the cost of services provided by the Council and the income collected to pay for the services are listed on pages 3 to 5.

3. Statement of the Movement on the General Fund Balance

This statement, shown on page 19, provides the analysis between the net figure shown on the Income and Expenditure Account and the actual movement for the year on the General Fund Balance.

4. Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses reflects not only gains and losses included in the Income and Expenditure Account but also other gains and losses arising from revaluations on fixed assets and pensions actuarial gains and losses. This statement is shown on page 20.

5. Balance Sheet

This statement sets out the overall financial position of the Council as at 31 March 2008 and incorporates the value of all assets and liabilities at the year-end. The balance sheet is shown on page 21.

6. Cash Flow Statement

All revenue, capital and collection fund activities are included in this statement which shows cash flows between the Council and third parties. Details can be found on page 22.

7. Notes to the Accounts

The notes to all the above statements are shown on pages 23 to 43.

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8. Collection Fund

This account records all council tax and business rate income collected on behalf of the District Council, local town and parish councils, Hampshire County Council, Hampshire Police Authority, Hampshire Fire Authority and Central Government.

Details can be found on page 44 and the notes to the Collection Fund are shown on page 45.

9. Capital Expenditure

The Council approved a capital programme with projected spending of £2.798m at the start of 2007/08 although during the year adjustments were made to the programme and the approved programme at the end of the financial year was £2.701m. These accounts show that £2.411m expenditure was incurred during the year. Some £250k is being requested for carry forward into 2008/09 to represent slippage and timing differences on this programme. Included in the programme are a variety of projects and schemes, such as the refurbishment of leisure facilities, grants to parish councils and voluntary organisations, social housing schemes, home improvement grants, replacement car parking ticket machines, improved access to Council properties for the disabled, replacement vehicles and improvements to the Council's computerised systems.

10. Accounting Policies

The Statement of Accounting Policies, which supports the accounts, is set out on pages 6 to 10.

11. Financial Performance

There are three main areas to report on –

General Fund - the operating costs and income on General Fund services are set out in the Income and Expenditure Account on page 18 which should be read in conjunction with the Statement of Movement on General Fund balance which shows the overall outturn position for 2007/08 and the level of general unearmarked reserves.

Council Tax collection - the collection rate for Council Tax in 2007/08 was 98.0%, against 97.5% for the previous year.

Capital expenditure - The initial capital programme provided for expenditure of approximately £2.8m in 2007/08, but actual spending in the year was lower at £2.4m. The main reasons for this difference are slippage on some large schemes (examples include the improvements to access the Councils properties for the disabled, the purchase of new Car Parking ticket machines and the purchase of replacement vehicles).

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12. Funding of future capital expenditure

The Council has funds and reserves of £5.7m as at the 31 March 2008 to finance capital expenditure, made up of useable capital receipts of £3.2m, developers contributions of £2.4m and Capital Grants of £0.1m.

Due to changes in Government funding arrangements future capital resources will be limited to developers' contributions, capital receipts from the sale of assets and specific Government grants. Some consideration is presently being given to making use of borrowing to fund future capital spending.

However, projected future capital resources, together with the capital resources that the Council has in its possession at 31 March 2008, will enable the Council to finance its current approved Capital Programme. Any additions to that programme will require additional sources of funding to be identified.

13. Planned future developments in service delivery

The Council initially adopted a Capital Programme for the 6-year period 2004/05 to 2009/10 although this has been continually adapted and revised each year and the latest programme extends to 2010/11.

With regard to revenue plans, the Council's main priorities are to maintain existing standards of service wherever possible as set out in the Council's Corporate Plan. Services, however, will remain under pressure as envisaged in the Council's Medium Term Financial Strategy 2007/10. Cabinet in September 2006 resolved that Council Tax increases will be assessed at the time of setting the budget, balancing the need to ensure any increase is affordable to tax payers and the impact on Council services.

The Council's Capital Programme and Corporate Plan can be viewed on the Council's website (www.hart.gov.uk).

14. Borrowing

The Council achieved debt free status when it repaid all its outstanding external debt in 1994/95 and has remained debt-free ever since. This policy may be subject to review in the light of pressure on capital resources as mentioned above.

15. Issues related to the Euro

The Council is continuing to monitor the possible introduction of the Euro, which may have an impact on commercial arrangements and financial systems. No costs have been incurred other than a minimal amount of staff time.

16. The Council's Expenditure on Services

In 2007/08 the Council spent £29.212m providing services to the residents and business organisations living or operating within the district. A brief explanation of the main services provided together with a more detailed analysis of spending is shown in the Income and Expenditure Account on page 18.

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A broad analysis of the £29.212m is shown below –

	Budget £m	Actual £m	Variance £m
Central Services to the Public	3.945	3.761	(0.184)
Cultural, Environmental and Planning Services	14.437	15.827	1.390
Housing Services	9.668	10.248	0.580
Corporate and Democratic Core	1.667	1.645	(0.022)
Non Distributed Costs	0.568	0.540	(0.028)
Less accounting for capital	(2.001)	(2.809)	(0.808)
	28.284	29.212	0.928

17. The Council's Income

The money to pay for these services came from the following sources –

	Budget £m	Actual £m	Variance £m
Central Services to the Public	(2.878)	(2.911)	(0.033)
Cultural, Environmental and Planning Services	(6.022)	(6.381)	(0.359)
Housing Services	(8.641)	(9.050)	(0.409)
Corporate and Democratic Core	(0.036)	(0.023)	0.013
Investment Income	(0.771)	(1.092)	(0.321)
Other (Includes FRS17 Reversal)	0.003	(0.383)	(0.386)
	(18.345)	(19.840)	(1.495)

Net (Surplus)/Deficit for the Year

9.939	9.372	(0.567)
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Financed By

	Budget £m	Actual £m	Variance £m
Revenue Support Grant	0.533	0.533	-
NNDR	3.179	3.179	-
Collection Fund precept	5.735	5.735	-
Use of Reserves	0.492	(0.075)	(0.567)
	9.939	9.372	(0.567)

Variance

0	0	0
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EXPLANATORY FOREWORD

18. Key Variations

There are a range of variations, both positive and negative, that go to make up the total overall variance of £567k underspend. There are several variations relating to staff costs, which include the implementation of the Pay and Grading review and staff turnover and vacancies. The most significant variance is on interest on the Councils investments where cash flow and interest rates proved to be better than had been budgeted for and provided the Council with £320k more interest as a result. Car Parking income also provided £78k more than budget.

19. Pension Costs

The Council participates in Hampshire County Council's Pension Fund. The Council's share of the Pension Fund deficit decreased from £19.03 million to £14.63 million at 31 March 2008. This represents some 35.9% of the Council's total equity. These figures include the Council's Unfunded Pensions Liability of £2.67m as determined in accordance with LAAP (Local Authority Accounting Panel) Bulletin 51.

In order to meet the Council's liabilities in full, increased contributions are agreed for future years several years in advance. The Council's contribution in 2007/08 was 295% of employees' contributions.

The Local Government Pension Scheme has been the subject of a fundamental review that takes effect from 1st April 2008. The basis on which employers contributions are determined has subsequently changed from being a percentage of the employees contribution to a percentage of their pensionable pay. Based on the most recent triennial review of fund values as at 31st March 2007, employers contributions are set to increase annually from 18.1% (of employees pensionable pay) in 2008/09 to 18.6% in 2009/10 and to 19.1% in 2010/11.

Further information on pension costs is contained in Note 19 on pages 30 to 33.

20. Financial Instruments

Changes to the SORP have been made in 2007/08 which introduce the concept of financial instruments into local authority accounting for the first time. This is intended to bring local authority accounts more in line with the private sector. 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.

21. Further Information

Further information about the Statement of Accounts can be obtained from Dec Mooney, Head of Finance, at Civic Offices, Harlington Way, Fleet, Hampshire, GU51 4AE (tel. 01252 774453) or email: dec.mooney@Hart.gov.uk .

Dec Mooney
Head of Finance

STATEMENT OF ACCOUNTING POLICIES

Statement of Accounting Policies

GENERAL PRINCIPLES

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). It incorporates all Statements of Standard Accounting Practice (SSAP) and Financial Reporting Statements (FRS) applicable to local authorities, as approved by the UK's Accounting Standards Board.

The SORP is recognised as constituting proper accounting practice and any significant variation from its requirements has to be disclosed. For 2007/08 there are no significant variations to be disclosed.

The accounts have been prepared on an historic cost basis (i.e. prices paid) modified by the revaluation of land, buildings, vehicles and plant.

ACCRUALS

All income and expenditure in the accounts has been accounted for on an accruals basis. This requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

The only exception to this is the cashflow statement, which, in accordance with SORP requirements, is prepared on a receipts and payments basis.

CONTINGENT ASSETS

Contingent assets are not recognised in the accounting statements. Instead they are disclosed by way of notes if the inflow of a receipt or economic benefit is probable.

CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the accounting statements. Instead they are disclosed by way of notes if there is a possible obligation, which may require a payment or transfer of economic benefits. Where a liability is considered likely to arise, a provision is made for it in the accounts.

DEFERRED CHARGES

Deferred Charges relate to items of capital expenditure incurred by other bodies where the Council either pays for the work or makes a contribution towards the cost of the works. As the Council does not own any asset arising from these works, all deferred charges are written off in the year in which they are incurred.

GROUP ACCOUNTS

The 2007 SORP requires the preparation of a group revenue account and group balance sheet where local authorities have interests in subsidiaries, associated companies and joint ventures that are material in aggregate.

STATEMENT OF ACCOUNTING POLICIES

The 2004 SORP modified this requirement to include other local authorities and similar bodies and to prepare a full set of group financial statements where they have a material interest. The Council does not have a material interest in any subsidiaries, associated companies or joint ventures or other local authorities.

FINANCIAL INSTRUMENTS

Fair value adjustments have been applied to all loans and receivables held by the Council. The fair value of an instrument is determined by calculating the net present value of future cash flows which provides an estimate of the value of payments in the future in today's terms.

FIXED ASSETS

Recognition

The expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a fixed asset, provided that the fixed asset yields benefits to the authority and the service it provides for a period of more than one year. Expenditure on routine repairs and maintenance of fixed assets is charged direct to service revenue accounts.

Measurement

Fixed assets are classified into the groupings required by the SORP and are initially valued at cost.

Revaluations of fixed assets are carried out by property valuers on a 5 year rolling programme. Where revaluations result in a change of asset values, any increase is held in the Revaluation reserve. This is subsequently reduced by depreciation or impairments against those assets. Where a reduction in value occurs where no increase has been recorded, the reduction (or impairment) is shown in the Capital adjustment account.

Operational land and properties and other operational assets, with the exception of Community assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.

Community assets are included in the balance sheet at historical cost.

Non-operational land and properties and other non-operational assets, including investment properties and assets that are surplus to requirements are included in the balance sheet either at cost, or at current value in the case of assets that have been revalued.

The surplus or loss arising from the disposal of fixed assets is credited or debited to the Income and Expenditure account but reversed out in the Statement of Movement on General Fund Balance.

STATEMENT OF ACCOUNTING POLICIES

Impairment

The value at which each category of assets is included in the balance sheet is reviewed at the end of each reporting period in accordance with FRS 11 and where there is reason to believe that its value has changed materially in the period the valuation is adjusted accordingly in line with the prescribed treatment in the SORP.

Disposals

Income from the sale of assets is accounted for as required by regulations issued under the Local Government Act 2003.

Income from the disposal of fixed assets is credited to the usable capital receipts reserve and accounted for on an accruals basis.

The Local Government Act 2003 requires Local Authorities to 'pool' a proportion of capital receipts received from Housing sources and for this to be paid over to the Government.

Depreciation

Depreciation is provided for, in accordance with FRS 15, on all fixed assets with a finite useful life and has been calculated using the straight-line method.

Charges to Revenue

General Fund service revenue accounts and central support services are charged with a capital charge for all fixed assets used in the provision of the service. The charge covers the annual provision for depreciation.

INTANGIBLE ASSETS

Intangible Assets represent expenditure which may properly be capitalised but which does not result in a tangible asset owned by the Authority. The purchase of computer software is the most common example of an intangible asset.

Intangible assets are recorded at historical cost and will be amortised to revenue over 5 years on a straight-line basis beginning in the year following acquisition.

GRANTS

Grants receivable are treated in the following ways:

(i) Improvement Grant Subsidy (Capital) - Used to reduce the deferred charge shown in the balance sheet.

(ii) Specific Revenue Grants - These are included as income in the appropriate service revenue account.

(iii) Revenue Support Grant is credited to the Income and Expenditure Account.

(iv) Capital Grants and contributions to finance the acquisition or enhancement of a fixed asset is initially credited to the Government Grants Deferred Account and released to the

STATEMENT OF ACCOUNTING POLICIES

Revenue account over the useful life of the asset to match the depreciation charge on the asset to which it relates.

INVESTMENTS

Investments are shown in the accounts at cost less any provision for loss in value. Investments are made in accordance with the Council's Treasury Management strategy and CIPFA's Code of Practice on Treasury Management.

LEASES – FINANCE

The Authority does not have any finance leases. However if it did it would account for them in line with the SORP.

LEASES – OPERATING

Rental payments are charged to revenue on the basis of payments due, as this is approximately equivalent to charging on a straight-line basis over the term of the lease.

OVERHEADS

All support service costs have been recharged on an appropriate basis to the services provided by the Council or shown as Corporate Costs in accordance with the CIPFA Best Value Accounting Code of Practice.

PENSION COSTS

Pension costs have been provided for in accordance with relevant Government regulations under FRS17 and are included in the notes to the accounts. This is in accordance with the SORP.

FRS17 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving of benefits will be many years into the future. It is a reflection of the economic reality of the relationship between an employer and the pension fund.

The full adoption of FRS17 represents a change in accounting policy to those applied before 2003-04. Previous policy was to recognise liabilities in relation to retirement benefits only when employers contributions became payable to the pension fund or payments fell due to the pensioners for which the local authority was directly responsible. The new policies better reflect the commitment in the long term to increase contributions to meet any shortfall in attributable net assets in the pension fund.

The impact that FRS17 has had on the results for the 2007/08 financial year is as follows:

- The overall amount to be met from Government Grants and local taxes has remained unchanged, but the costs disclosed for individual services are 0.43% higher after the replacement of employer's contributions by current service costs. Net Operating Expenditure is 0.42% higher than it would otherwise have been, due to the adjustment in respect of pensions interest cost, the expected return on pensions assets and the current service cost adjustment.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the Council by 35.9%.

STATEMENT OF ACCOUNTING POLICIES

PROVISIONS – BAD AND DOUBTFUL DEBTS

The figure shown in the accounts for debtors is adjusted for doubtful debts, by including a provision. This provision is recalculated annually by applying an estimate of the proportion of debt in each category that is unlikely to be collectable based on past experience.

Known uncollectable debts are written off.

PROVISIONS – OTHER

Provisions are made for any liabilities of uncertain timing or amount that have been incurred.

RESERVES – CAPITAL

Capital reserves are not available for revenue purposes and some of them can only be used for certain purposes. The usable capital receipts reserve and S106 reserves are examples of such reserves.

RESERVES – REVENUE

Revenue reserves are set aside for purposes falling outside the definition of provisions, or else represent accumulated surpluses.

Expenditure is not charged direct to any revenue reserve and transfers to and from reserves are included within the Statement of Movement on General Fund Balance.

STOCKS

Stocks are included in the balance sheet at the lower of cost and net realisable value.

STATEMENT OF RESPONSIBILITIES

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S 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 Head of Finance
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the statement of accounts.

Approval of the accounts

I hereby confirm that these accounts were approved by the Audit Committee on behalf of Hart District Council on the 23rd September 2008.

Hu P. Eschwood 23rd September 2008

Chair of the Audit Committee
23rd September 2008

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Head of Finance has:

- selected suitable accounting policies and applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Code of Practice.

The Head of Finance has also:

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

Certification of the accounts

I hereby certify that the accounts present fairly the financial position of Hart District Council as at 31 March 2008 and its income and expenditure for the year then ended.


D MOONEY, CPFA.
Head of Finance
23rd September 2008

ANNUAL GOVERNANCE STATEMENT

1.0 Scope of Responsibility

- 1.1 Hart District Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that there is proper stewardship of public money which is properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility the Council must demonstrate that it has proper governance arrangements in place that enable the effective management of its functions, including those that relate to risk management.
- 1.3 The Council has adopted a code of corporate governance based on the CIPFA/SOLACE Framework.

2.0 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes and culture values that the Council uses to direct and control its activities. The framework demonstrates how the Council engages with and is accountable to its community and enables it to monitor the achievement of objectives and to consider whether those objectives have led to the delivery of cost effective services.
- 2.2 The system of internal control also forms a key part of the governance framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process of identifying and managing risk to a reasonable level so that it does not have an adverse impact on the achievement of objectives.
- 2.3 The governance framework has been in place for the year ended 31st March 2008 and up to the date of approval of the Statement of Accounts.

ANNUAL GOVERNANCE STATEMENT

3.0 The Governance Framework

3.1 The key principles of the governance framework for the Council are described below.

Principle	Achieved By
Communicating the Council's vision and intended outcomes for citizens and service users	<ul style="list-style-type: none"> • Corporate Plan • Community Strategy • Outcomes from Service Reviews • Reporting and monitoring of key performance indicators • Improved partnership working • Annual Financial Statements • Medium Term Financial Strategy
Reviewing the Council's vision and the implications on its governance arrangements	<ul style="list-style-type: none"> • Corporate Plan reviewed during 2007 • Revised Constitution March 08 • Revised Standing Orders March 08 (Council Procedure Rules)
Measuring the quality of services for users, for ensuring they are delivered in accordance with the council's objectives and make the best use of resources.	<ul style="list-style-type: none"> • Reporting and monitoring of key performance indicators • Reviewing progress of service plans • Establishing a framework to improve value for money, ongoing through 2007/08 and 2008/09
Ensuring the roles of the executive, scrutiny and other functions are clearly defined with clear delegation arrangements and protocols for effective communication	<ul style="list-style-type: none"> • Constitution • Terms of Reference for the Executive, Scrutiny, Staff and General Purposes (S&GP) and Standards Committees • Members Code of Conduct • Council Procedure Rules • Scheme of Delegation
Developing and communicating codes of conduct for Members and Officers	<ul style="list-style-type: none"> • Part of Induction process for Members and Officers • Codes of Conduct reviewed to ensure they are up to date and reflect good practice
Reviewing and updating Standing Orders, Financial Regulations, Scheme of Delegation and supporting procedure notes and manuals which clearly define how decisions are taken and the processes and controls are in place to manage risks.	<ul style="list-style-type: none"> • Standing Orders (Jan 08) • Financial Regulations (May 08) • Scheme of Delegation (Sept 2006) • Procedure manuals for key functions • Risk Management Policy and Strategy

ANNUAL GOVERNANCE STATEMENT

<p>Undertaking the core functions of an Audit Committee to comply with CIPFA good practice</p>	<ul style="list-style-type: none"> • S&GP Terms of Reference • Completion of Audit Committee Self Assessment Checklist
<p>Ensures compliance with relevant laws, regulations, internal policies and procedures and that expenditure is lawful</p>	<ul style="list-style-type: none"> • Chief Executive in place • Monitoring Officer in place • Section 151 Officer in place • Internal Audit function • Ombudsman process • Ethical Audit
<p>A whistle-blowing process and a system for the investigation of complaints from the public is in place</p>	<ul style="list-style-type: none"> • Whistle-blowing procedure • Complaints procedure • Ombudsman process
<p>Identifying the development needs of Members and Senior Officers in relation to their strategic roles, supported by appropriate training.</p>	<ul style="list-style-type: none"> • Job Descriptions for all Officers • Appraisal process identifies training needs • Personal Development part of Appraisals • Induction process for Members and Officers • Training programme for Members, e.g. risk management, financial awareness and standards of conduct. • Codes of Conduct for Officers and Members
<p>Establishing clear channels of communication with all sections of the community and other stakeholders thus ensuring accountability and encouraging open consultation</p>	<ul style="list-style-type: none"> • Customer surveys • Use of Citizens panel • Partnership Framework • Partnership working (LSP and CSP) • Up to date information provided on website • Community Strategy
<p>Assessing the governance arrangements in place for partnerships and reflecting these in the Council's overall governance arrangements</p>	<ul style="list-style-type: none"> • Use of Partnership Toolkit for key partnerships • Risk Registers in place for 2 of our 5 key partnerships

ANNUAL GOVERNANCE STATEMENT

4.0 Review of Effectiveness

- 4.1 The Council has a responsibility to review the effectiveness of the governance framework, including the system of internal control at least annually. The review is informed by the work of Senior Management, Internal Audit, External Audit and other review and inspection agencies.
- 4.2 The review of the effectiveness of governance and internal control arrangements is on-going and can only provide reasonable and not absolute assurance that that the system in place for governance and internal control is effective.
- 4.3 The process in place to maintain and review the effectiveness of the governance framework includes:

Review Function	Description of Review Process
The Council	<ul style="list-style-type: none"> • Maintain a culture of openness and transparency • Compliance with legislation, policies and procedures
The Executive	<ul style="list-style-type: none"> • Approves and monitors the budget • Review and update policies where appropriate to comply with new legislation and ensure compliance with good practice • Decision making process
Overview and Scrutiny Committee	<ul style="list-style-type: none"> • Challenge the decision making process of cabinet • Review and challenge performance in line with a programme of improvement
S&GP/Audit Committee	<ul style="list-style-type: none"> • Monitor progress of Internal Audit work • Monitor progress made on agreed internal and external audit recommendations • Review of annual governance report from External Audit • Review and approve Annual Statements of Accounts • Review risk management arrangements

ANNUAL GOVERNANCE STATEMENT


Standards Committee	<ul style="list-style-type: none"> • Work programme to reflect regulatory change • Joint working with other council's on the work of Standards Committee • Work on determination of complaints • Training on local code of conduct
Internal Audit	<ul style="list-style-type: none"> • On-going review of the effectiveness of risk and internal control frameworks • Reporting of weaknesses in the risk and internal control frameworks • Facilitate and continue to embed sound risk management principles • Review of Corporate Governance • Review of Fraud and Corruption
External Audit	<ul style="list-style-type: none"> • Annual review and report on the Council's governance arrangements • Audit of the Statements of Accounts • Review of the Council's annual budget preparation process • Review of use of resources and value for money arrangements


4.4 Having reviewed the effectiveness of the governance framework and having regard to a programme of continuous improvement, Senior Management and the Audit Committee have been informed of the significant weaknesses that exist. A plan to address the weaknesses identified is shown below:

ANNUAL GOVERNANCE STATEMENT

Weakness	Responsible Officer	Target Date
Ensure key documents that are part of the governance framework are reviewed, kept up to date and comply with good practice		
Scheme of Delegation	Monitoring Officer	Sept 08
Financial Regulations	Head of Finance	Sept 08
Achieve at least an adequate assessment for our use of resources judgement.	Chief Executive	Sept 08
Develop a range of actions to improve the value for money framework, in particular focusing on joint performance and financial monitoring.	Chief Executive	Dec 08
Fully implement the Financial Management System and use the system to its full potential	Head of Finance	Oct 08
Achieve level 2 of the Equalities and Diversity Standard.	Corporate Director (VE)	Oct 08
Improve consultation with service users and other stakeholders	Corporate Director (VE)	Oct 08

4.5 The Council proposes to take action on the above matters during the year 2008/09. The Council is satisfied that these steps will enhance the governance framework and will monitor and report progress being made to implement these improvements to the Audit Committee during the coming year.

Signed  Geoff Bonner
 Chief Executive Date

Signed  Ken Crookes
 Leader of the Council Date

INCOME AND EXPENDITURE ACCOUNT

2006/07 Net Expenditure £'000		Gross Expenditure £'000	2007/08 Gross Income £'000	Net Expenditure £'000	Notes
	Central Services to the Public				
864	Local Tax Collection	3,219	(2,613)	606	
140	Other Central Services	542	(298)	244	
	Cultural, Environmental and Planning Services				
2,241	Refuse and Cleansing Services	3,420	(568)	2,852	
994	Environmental Health	1,807	(551)	1,256	
1,767	Leisure Services	5,052	(3,077)	1,975	
1,770	Planning Services	4,542	(1,801)	2,741	
(451)	Car Parking	519	(914)	(395)	
366	Concessionary Travel	485	(44)	441	
	Housing Services				
(129)	Housing/Council Tax Benefits	9,232	(8,922)	310	
1,354	Other Housing Services	1,016	(310)	706	
1,710	Corporate and Democratic Core	1,662	(45)	1,617	
145	Non Distributed Costs	540		540	
10,771	Net Cost of Services	32,036	(19,143)	12,893	
	(217)			(24)	
	1,232			1,278	
	17			21	(23)
	(914)			(1,135)	
	2,260			2,560	(19)
	(1,950)			(2,160)	(19)
11,199	Net Operating Expenditure			13,433	
	(6,771)			(7,013)	
	(591)			(533)	
	(3,081)			(3,179)	
756	(Surplus)/Deficit for Year			2,708	

(Positive figures indicate Expenditure; negative figures indicate Income)

This account reports the net cost for the year of all the functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

2006/07 £'000	2007/08 £'000
756 Deficit for Year on the Income & Expenditure Account	2,708
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year	(2,783)
<u>(1,246)</u>	<u>(75)</u>
(490)	(75)
(Increase)/Decrease in General Fund Balance for the year	
<u>(2,042)</u> General Fund Balance Brought Forward	<u>(2,532)</u>
<u>(2,532)</u> General Fund Balance Carried Forward	<u>(2,607)</u>
(Positive figures indicate a Deficit, negative figures indicate a surplus)	

This statement shows the amounts, in addition to the Income and Expenditure Account surplus for the year, that are required by statute and non-statutory proper practices to be charged or credited to the General Fund.

Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balance

Statement of Movement on the General Fund Balance	
2006/07 £'000	2007/08 £'000
Amounts included in the Income and Expenditure Account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the year	
(1,183) Reversal of Depreciation charges	(2,045)
11 Government Grants Deferred	11
(954) Reversal of Deferred Charges	(775)
464 Government Grants not Deferred	269
596 Contributions not Deferred	573
217 Surplus/(Deficit) on Sale of Fixed Assets	24
- Effects of Financial Instruments	43
<u>(1,370)</u> Charges made for retirement benefits in accordance with FRS 17	<u>(1,852)</u>
(2,219)	(3,752)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
(17) Contribution to Housing Pooled Capital Receipts	(21)
Employers contributions payable to the HCC Pension Fund and	
836 retirement benefits payable direct to Pensioners	1,003
<u>819</u>	<u>982</u>
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
154 Appropriations to / (from) Reserves	(13)
<u>154</u>	<u>(13)</u>
Net additional amount required to be credited to the General Fund Balance for the year	
<u>(1,246)</u>	<u>(2,783)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07	2007/08
£'000	£'000
756 Surplus or deficit on the Income and Expenditure Account	2,708
(667) Surplus or deficit arising from the revaluation of Fixed Assets	(45)
120 Actuarial gains and losses on pension fund assets and liabilities	(5,250)
- One-off Prior year adjustments	(300)
56 Any other gains and losses required to be included in the STRGL	(132)
265 Total Recognised gains and losses for the year	(3,019)

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it also shows gains and losses relating to the valuation of fixed assets, the re-measurement of the net liability to cover the cost of retirement benefits together with any other gains and losses.

BALANCE SHEET

2006/07 £'000	£'000	2007/08 £'000	Notes
1,425 Intangible Fixed Assets		1,152	(11)
Tangible Fixed Assets			
Operational Assets			
170 Council Dwellings	168		
26,802 Land and Buildings	26,498		
2,579 Vehicles and Plant	2,528		
144 Community Assets	210		
Infrastructure Assets			
385 Non Operational Assets	885		
31,505 Total Fixed Assets		<u>30,289</u>	(11)
- Deferred Charges		-	
- Long Term Investments		3,175	
62 Long Term Debtors		<u>33</u>	(26)
31,567 Total Long Term Assets		34,649	
Current Assets			
38 Stock	21		(27)
11,331 Debtors	6,920		(28)
(1,644) Less Bad Debt Provision	(1,713)		(28)
11,060 Investments	12,222		
2 Cash in Hand	<u>2</u>		
20,787		17,452	
Current Liabilities			
(7,467) Creditors	(8,708)		(29)
(84) Cash Overdrawn	(238)		
		(8,946)	
(2,594) Unapplied S106 Contributions		(2,363)	(35)
(52) Deferred Capital Receipts		(28)	(30)
(117) Deferred Government Grants		(106)	(31)
(19,034) Net Pension Liability		<u>(14,633)</u>	(19)
<u>23,006</u> Net Assets		<u>26,025</u>	
Revaluation Reserve		45	(32)
32,563 Capital Adjustment Account		32,465	(33)
Financial Instruments Adjustment Account		43	(42)
(19,034) Pensions Reserve		(14,633)	(19)
4,807 Usable Capital Receipts Reserve		3,240	(34)
4,536 Balances - General Fund		4,598	(18)
134 Balances - Hart DC proportion of the Collection Fund		<u>267</u>	(18)
<u>23,006</u>		<u>26,025</u>	

The balance sheet represents a quantitative summary of the Council's financial condition at a specific point in time, including assets, liabilities and net worth.

D MOONEY CPFA
Head of Finance

CASH FLOW STATEMENT

2006/07		2007/08
£'000		£'000
Revenue Activities		
<u>Cash Outflows</u>		
10,557	- Cash paid to and on behalf of employees	10,521
6,953	- Other operating cash payments	6,135
10,338	- Housing & Council Tax Benefits paid out	10,965
25,948	- NNDR payments to the National Pool	19,233
42,033	- Precepts paid	43,752
17	- Contribution to Housing Capital Receipts Pool	21
95,846		90,627
<u>Cash Inflows</u>		
(594)	- Revenue Support Grant	(534)
(10,261)	- DSS subsidies for benefits	(10,782)
(1,025)	- Other government grants	(1,024)
(3,077)	- NNDR receipts from the National Pool	(3,179)
(89)	- Rents	(76)
(46,768)	- Council Tax receipts	(50,244)
(25,609)	- Non domestic rate receipts	(22,689)
(6,121)	- Cash received for goods and services	(6,365)
(93,544)		(94,893)
2,302	Revenue Activities Net Cash Flow	(4,266)
Returns on Investments & Servicing of Finance		
<u>Cash Outflows</u>		
58	- Interest paid	0
<u>Cash Inflows</u>		
(853)	- Interest received	(1,092)
Capital Activities		
<u>Cash Outflows</u>		
3,410	- Purchase of fixed assets	2,411
0	- Other capital cash payments	
<u>Cash Inflows</u>		
0	- Sale of fixed assets	
(552)	- Capital Grants Received	(269)
(571)	- Other capital cash receipts	(539)
3,794	Net cash (inflow)/outflow before financing	(3,755)
Management of Liquid Resources		
(4,070)	Increase/(Decrease) in Short Term Deposits	3,910
(276)	(Increase)/Decrease in cash	155
(Positive figures indicate Expenses, negative figures indicate Income)		

The cash flow statement presents movements in cash and other assets that are similar to cash (cash equivalents). The purpose of the cash-flow statement is to explain the movement in cash and bank balances held by the Council from the end of the previous financial year (2006-07) through to the end of the financial year 2007-08.

NOTES TO THE ACCOUNTS

1. Section 137

There was no expenditure in 2007/08 under S.137. (2006/07 = Nil)

2. Publicity Account

Section 5 of the Local Government Act 1986 as applied by the Local Authorities (Publicity Account) (Exemption) Order 1987 requires local authorities to keep a separate account of its expenditure on publicity. There are a large number of exemptions contained within the Order and the Publicity Account summarised below only relates to those items that are not exempt. The Publicity Account is a

memorandum item compiled from details within the Council's Revenue Accounts.

Publicity Expenditure	31 Mar	31 Mar
	2007	2008
	£'000	£'000
Staff advertisements	46	59
Publicity Expenses	157	183
	<u>203</u>	<u>242</u>

3. Building Control Accounts

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Under the Building (Local Authority Charges) Regulations 1998, the Council must ensure income from charges fully recovers the cost of carrying out its building control functions over a rolling 3 year period.

	Chargeable	Non Chargeable	Total
	£'000	£'000	£'000
Expenditure			
Employee Expenses	139	96	235
Supplies and Services	82	4	86
Support Services	63	18	81
Capital Charges	1	1	2
	<u>285</u>	<u>119</u>	<u>404</u>
Income			
Building Regulations	(308)	0	(308)
Other Income	0	(3)	(3)
	<u>(308)</u>	<u>(3)</u>	<u>(311)</u>
(Surplus) / Deficit	<u>(23)</u>	<u>116</u>	<u>93</u>
Comparatives for 2006/07			
Expenditure	300	85	385
Income	(308)	(3)	(311)
	<u>(8)</u>	<u>82</u>	<u>74</u>

4. Agency Services

The District Council provides a number of services on behalf of Hampshire County Council. In 2007/08 Hart DC received £260,400 for providing these services (2006/07 £250,600).

NOTES TO THE ACCOUNTS

5. Local Authority (Goods & Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. However the Council did not have any schemes which fell within the scope of this Act in 2007/08. (2006/07 = Nil)

6. Members' Allowances

The total value of Members' Allowances paid in 2007/08 was £164,696 (2006/07 £155,094).

7. Officers' Emoluments

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were as follows.

Officers Emoluments	No of Officers	
	2006/07	2007/08
£100,000 - £109,999	-	1
£90,000 - £99,999	-	-
£80,000 - £89,999	1	-
£70,000 - £79,999	1	3
£60,000 - £69,999	-	3
£50,000 - £59,999	2	4

8. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Members of the Council have direct control over the Council's financial and operational policies. However any contracts entered into are in full compliance with the Council's constitution and any decisions are made with proper consideration of declarations of interest. Details of any material interests are recorded in the Register of Members' Interests, which is open to public inspection. From the replies provided there are no material transactions to be declared.

Senior Officers of the Council have control over the day to day management of the Council. The Corporate Directors and Chief Executive have declared that they are not personally involved in any related party transactions.

Companies and joint ventures. The Council does not have any interests in companies outside of its normal contractual arrangements.

NOTES TO THE ACCOUNTS

9. Audit Costs

The 2007/08 planned fees for External Audit costs are shown in the table together with the actual payments made. Actual fees depend on the length of time taken to execute these functions.

Audit Costs	Planned		Actual	
	31 Mar 2007 £'000	31 Mar 2008 £'000	31 Mar 2007 £'000	31 Mar 2008 £'000
Fees payable to the Audit Commission with regard to external audit services	98	111	120	117
Fees payable to the Audit Commission in respect of statutory inspection	16	13	16	13
Fees payable to the Audit Commission for the certification of grant claims and returns	26	28	29	28
	<u>140</u>	<u>152</u>	<u>165</u>	<u>158</u>

10. Explanation of the Significance of the Statement of Movement on the General Fund Balance

The income and expenditure account brings together all of the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. However, this accounting basis is currently out of line with statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future years, the outturn on the income and expenditure account needs to be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation.

NOTES TO THE ACCOUNTS

11. Movement of Fixed Assets

The movement in fixed assets during 2007/08 is summarised below.

	Intangible Fixed Assets	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Non Operational Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value 1 April 07	1,974	175	28,025	4,336	210	385	35,105
Prior Year Adjustment	0	0	(476)	51	71	500	146
Revised Gross book value 1 April 07	1,974	175	27,549	4,387	281	885	35,251
Assets Reclassified	0	0	0	0	0	0	0
Acquisitions and Enhancements	122	0	891	600	22	0	1,635
Disposals	0	0	0	0	0	0	0
Revaluations outside of Reserve						0	0
- Impairments			(75)				(75)
- Change in Use			(168)				(168)
Revaluations upwards & Restatements	0	0	(2)	0	0	0	(2)
Gross Book Value 31 March 08	2,096	175	28,195	4,987	303	885	36,641
Depreciation 1 April 07	549	5	1,223	1,757	66	0	3,600
Prior Year Adjustment	0	0	(164)	4	6	0	(154)
Revised Depreciation 1 April 07	549	5	1,059	1,761	72	0	3,446
Assets Reclassified	0	0	0	0	0	0	0
Depreciation for the Year	395	2	685	698	21	0	1,801
Sales	0	0	0	0	0	0	0
Revaluations & Restatements	0	0	(47)	0	0	0	(47)
Total Depreciation 31 March 08	944	7	1,697	2,459	93	0	5,200
Net Book Value 31 March 08	1,152	168	26,498	2,528	210	885	31,441
Net Book Value 31 March 07	1,425	170	26,802	2,579	144	385	31,505

The authority spent £1.635m on the acquisition and enhancement of long term assets and £0.775 on deferred charges in 2007/08, as shown in the following table:

Capital Financing requirement	31 Mar 2007	31 Mar 2008
	£'000	£'000
Balance b/fwd	(1,086)	(1,122)
Capital Investment		
Operational Assets	2,684	1,635
Deferred charges	905	775
	3,589	2,410
Sources of finance		
Capital receipts	(2,560)	(1,570)
Government grants	(464)	(268)
Developers Contributions	(596)	(572)
	(3,620)	(2,410)
Reduction in mortgages	(35)	(24)
Other adjustments	30	21
Closing balance	(1,122)	(1,125)

NOTES TO THE ACCOUNTS

12. Movements of Deferred Charges

Deferred charges relate to transferred assets, grants for house improvements and capital expenditure, which does not result in a tangible asset, and Other Long Term Outlay (OLTO).

Changes to the SORP mean that deferred charges can no longer be carried on the Balance Sheet. Hence, all deferred charges are written off to revenue in the year in which they are incurred.

Deferred Charges	Expend' in Year £'000
Private Sector Housing Grants	51
DFG's	303
Developers Contributions towards Parish Council schemes	421
	<u>775</u>

13. Assets held under Leases

There are no finance leases held by the Council. Operating leases relate to annual costs for vehicles of £33,700 photocopiers of £16,200, and vending/water machines of £7,200.

Operational Leases	£'000
Amounts due:	
Within one year	57
2 - 5 years	110
Over 5 years	-

14. Information on Assets held

The adjacent table identifies the number of each type of asset owned by service.

	2007	2008
Council Dwellings	1	1
Operational Buildings		
Civic Offices	1	1
Harlington Centre	1	1
Community Centres	4	4
Leisure Centres	2	2
Outdoor Sports Facilities	7	7
Car Parks	10	10
Public Conveniences	5	5
Depots	2	2
Cemeteries	1	1
Operational Equipment		
Vehicles	18	19
Plant & Equipment	8	9
Non-Operational Assets		
Yateley CAB Building	1	1
Land occupied by Hook Bowling Club	1	1
Green Lane Car Park	1	1

NOTES TO THE ACCOUNTS

15. Information about Depreciation Policies

The total amount of depreciation, change of use adjustments and reversal of prior year depreciation charged in 2007/08 was £2,045,075 (2006/07 = £1,183,090).

Depreciation	Useful Lives (for depreciation purposes) Years
Car Parks	Nil
Public Conveniences	15-25
Depots and Stores	10
Sports Centres	20-40
Administrative Buildings	35
Cemetery Building	15

16. Valuation Information

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets, which happens over a 5 year cycle

	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000	Total £'000
Land and Buildings						
Car Parks	1,702	53	-	39	230	2,024
Civic Offices	-	-	7,800	-		7,800
Depot	-	-	780	-		780
Dwellings	-	375	-	-		375
Leisure Assets	2,985	5,165	4,250	900	475	13,775
Non-Operational (See note below)	-	10	-	825	325	1,160
Other Assets	130	6	-	1,360	375	1,871
Public Conveniences	-	-	-	443		443
Total	4,817	5,609	12,830	3,567	1,405	28,228

N.B. A prior year adjustment was made for a non-operational asset valued at Market Value in 2006/07.

All asset valuations in 2007/08 were carried out by Hollis Hockey, Property Valuers. Assets are valued on either an Existing Use or Depreciated Replacement Costs basis.

17. Commitments under Capital Contracts

The only Capital Commitments the Council had entered into as at 31st March 2008 related to the purchase of vehicles for Environmental Services (value approximately £100k).

NOTES TO THE ACCOUNTS

18. Reserves

The following table lists the Authority's reserves and details the purpose of these reserves.

	1 Apr 2007	Amounts Received	Amounts Applied	31 Mar 2008	Purpose
	£'000	£'000	£'000	£'000	
Capital Reserves					
Useable Capital Receipts	4,807	24	(1,591)	3,240	Accumulated surpluses in previous years, which have not yet been earmarked.
	<u>4,807</u>	<u>24</u>	<u>(1,591)</u>	<u>3,240</u>	
Revaluation Reserve	0	45	0	45	Non cashed-backed capital reserve required under current capital finance requirements
Capital Adjustment Account	32,563	2,647	(2,745)	32,465	Non cashed-backed capital reserve required under current capital finance requirements
Financial Instruments Adjustment Account	0	43	0	43	Non cashed-backed capital reserve required under current capital finance requirements
	<u>32,563</u>	<u>2,735</u>	<u>(2,745)</u>	<u>32,553</u>	
Total Capital Reserves	<u>37,370</u>	<u>2,759</u>	<u>(4,336)</u>	<u>35,793</u>	
Revenue Reserves					
General Fund	2,532	75		2,607	Unearmarked revenue reserves (balances)
Building Control Surplus	114	23		137	From ring fencing the building control trading account.
Open Spaces Maint' Fund	1,760	118	(188)	1,690	To fund expenditure covered from commuted sums paid by developers
Interest Reserve	130	65	(31)	164	Reserve created for interest that may be added to Developers contributions to protect against inflation
	<u>4,536</u>	<u>281</u>	<u>(219)</u>	<u>4,598</u>	
Collection Fund	134	133		267	The balance held on a ring-fenced account for Council Tax and Business Rate purposes
Pensions Reserve	(19,034)	4,401		(14,633)	A reserve used to indicate the surplus/(deficit) on the Council's pension liability
	<u>(18,900)</u>	<u>4,534</u>	<u>0</u>	<u>(14,366)</u>	
Total Revenue Reserves	<u>(14,364)</u>	<u>4,815</u>	<u>(219)</u>	<u>(9,768)</u>	
Total Reserves	<u>23,006</u>	<u>7,574</u>	<u>(4,555)</u>	<u>26,025</u>	

NOTES TO THE ACCOUNTS

19. Local Government Pension Scheme

The Authority pays contributions to the Hampshire County Council Pension Fund, which provides members with defined benefits related to pay and service. The contributions are based on rates determined by the Fund's professionally qualified actuaries based on triennial valuations, the most recent of which was at 31 March 2007.

The Authority recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance.

	31 Mar 2007 £'000	31 Mar 2008 £'000
Net Cost of Services		
Current Service Cost	(1,060)	(1,060)
Past Service Cost (See note below)	0	(330)
Net Operating Expenditure		
Interest Cost	(2,260)	(2,560)
Expected Return on Pension Assets	1,950	2,160
Appropriations		
Movements on Pensions Reserve	530	787
Amount to be met from Government Grants and Local Taxation:		
Employers Contributions Payable to scheme	840	1,003

Unfunded Pension Liability

The level of unfunded pension liability for past service costs relating to early retirements granted in previous years has been assessed in accordance with FRS17 as £2,666,246 at 31st March 2008 (£2,603,964 in 2006/07). This is included in the pension liability in the Balance Sheet.

The actual payments made in respect of unfunded pension liabilities in 2007/08 were as follows:

Early retirements in 2007/08 (2006/07 £nil)	£000's 43
Payments relating to early retirements in previous years for which payments are still being made (2006/07 £144,664)	148

NOTES TO THE ACCOUNTS

In accordance with Financial Reporting Standard No 17 – Retirement Benefits (FRS17) Hart District Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension scheme employees.

The Accounting Standards Board published an amendment to FRS17 on 7th December 2006. As Hart reports under CIPFA guidance, the first adoption of the Amendment to FRS17 will be as at 31st March 2009.

The new style disclosure requirements will require:

- 1) Separate reconciliations of liabilities and assets from the prior year.
- 2) The expected cash contributions in the following year
- 3) Separation of funded and unfunded liabilities.
- 4) The principal actuarial assumptions used at the balance sheet date

As part of the terms and conditions of employment, Hart District Council offers retirement benefits. Employees of the Council are entitled to join the Local Government Pension Scheme (LGPS), which is administered by Hampshire County Council under the Regulations governing the LGPS, a defined benefit scheme based on final pensionable salary. This is a funded pension scheme, which means that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

A new benefit structure was introduced from 1st April 2008 which affects both the value of benefits earned up to 31st March 2008 and the cost going forward from that date.

Changes include:

- 1) Increase in pension guarantee period after retirement from 5 to 10 years.
- 2) Increase in guarantee applying to death in deferment benefits following the member leaving service from 3 to 5 times the deferred pension.
- 3) Introduction of contingent dependants' benefits
- 4) Change to service enhancements for ill-health and death in service pensions

These changes are accounted for as a past service cost which impacts on net services cost.

The most recent valuation was carried out at 31 March 2007, and has been updated by independent actuaries to the Hampshire County Council Pension Fund ("the Fund") to take account of the requirements of FRS17 in order to assess the liabilities of the fund as at 31 March 2008. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The employer's contributions certified by the actuary to the Fund in respect of the period 1 April 2004 to 31 March 2008 are as follows:

2004/05 13.5% of pensionable pay
 2005/06 15.0% of pensionable pay
 2006/07 16.5% of pensionable pay
 2007/08 17.7% of pensionable pay

At 31 March 2008, it is estimated that the Authority had the following overall share of assets and liabilities, and these are included in the balance sheet.

Overall Share of Scheme Assets and Liabilities		
	31 Mar 2007 £'000	31 Mar 2008 £'000
Estimated Assets in Scheme	31,900	32,130
Estimated Liabilities in Scheme	(48,330)	(44,097)
Unfunded Pensions Liability	(2,604)	(2,666)
Net Liability (deficit)	(19,034)	(14,633)

NOTES TO THE ACCOUNTS

The main assumptions used for the purposes of FRS17 are as follows:

Assumptions used for FRS17	31 Mar 2007	31 Mar 2008
Discount Rate	5.3% pa	6.8% pa
Discount Rate for Pensions costs	5.3% pa	6.8% pa
Rate of increase in Salaries	4.7% pa	5.2% pa
Rate of increase in Pension Payments	3.2% pa	3.7% pa
Rate of increase to Deferred Pensions	3.2% pa	3.7% pa
Rate of inflation	3.2% pa	3.7% pa
Long Term Expected Rates of return		
Equities	7.7% pa	7.6% pa
Property	6.7% pa	6.6% pa
Government Bonds	4.7% pa	4.6% pa
Corporate Bonds	5.3% pa	6.8% pa
Other Assets	5.6% pa	6.0% pa
Average Long Term expected Rate of Return	6.9% pa	6.7% pa

Assets are valued at fair value, principally market value for investments. The proportion of total assets held in each type by the fund as a whole at 31 March 2008 are as follows:

Proportion of Assets held by investment type in %		
	31 Mar 2007	31 Mar 2008
Equities	67.2%	61.9%
Property	4.5%	5.8%
Bonds	23.4%	26.6%
Other Assets	4.9%	5.7%
Value of Assets held by investment type		
	31 Mar 2007 £m	31 Mar 2008 £m
Equities	1,940	1,808
Property	131	168
Bonds	674	775
Other Assets	140	167
	<u>2,885</u>	<u>2,918</u>

Note, there is no provision under the LGPS to split the total assets of the Fund to each participating body. Therefore, for the basis of this disclosure, the above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

The movement in the net pension liability for the year to 31 March 2008 is as follows: The current deficiency in the pension fund represents the estimated position at the end of the financial year. The deficit as assessed by the Actuary in respect of the funded scheme has decreased in year from £16.43m to £11.97m, mainly as the result of better returns on investments partially offset by changes in assumed real discount rates. It should also be noted that pension rates have been set to cover the full estimated long-term cost of the Pension Scheme based on an actuarial valuation as at 31 March 2007.

NOTES TO THE ACCOUNTS

History of Experience Gains and Losses		
	31 Mar 2007	31 Mar 2008
Difference Between Expected & Actual Return on Scheme Assets		
Amount (£m)	(0.04)	(1.51)
Percentage of scheme assets	-0.1%	-4.7%
Experience gains (losses) on scheme liabilities		
	31 Mar 2007	31 Mar 2008
Amount (£m)	(0.13)	(0.41)
% of present value of scheme liabilities	-0.3%	-0.9%
Changes in Assumptions Underlying the present value of pension liabilities.		
	31 Mar 2007	31 Mar 2008
Amount (£m)	0.05	7.17
% of present value of scheme liabilities	0.1%	16.2%

In Year Movements on Pension Reserve		
	31 Mar 2007 £'000	31 Mar 2008 £'000
Net pension liability as at 1 April	(18,316)	(19,034)
Movements in Year:		
Employer's contribution	840	1,003
Current Service Cost	(1,060)	(1,060)
Past Service Cost	0	(330)
Expected Return on Pension Fund Assets	1,950	2,160
Interest on Pension Scheme Liabilities	(2,260)	(2,560)
(Increase)/Decrease in Unfunded Pension Liability	(68)	(62)
Actuarial Gain/Loss in Year	(120)	5,250
Net Pension Liability as at 31 March	(19,034)	(14,633)

An assessment of the Council's Unfunded Pension Liability as at 31 March 2008 in accordance with LAAP Bulletin 51 indicates a further liability of £2,666m (£2.604 in 2006/07).

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2007 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2007 will take advantage of this change to the pension scheme. Our actuaries have advised that this assumption will reduce the value of the Council's pension liabilities for FRS17 by about 3%. We have accounted for this as a gain resulting from a change in assumptions and as a result the impact of this item is shown in the Statement of total movement on Reserves. The change has not affected the figures in the Income and Expenditure Account. It is anticipated that this figure will increase as the members of the scheme approach retirement.

20. Exceptional Item

There are no exceptional items relating to 2007/08.

21. Euro Costs

The Authority has no expenditure plans in respect of Euro preparation.

22. Post Balance Sheet events

A Section 106 debtor was included in the accounts as at 31st March 2008 at £550,000. This sum has since been settled at £387,000 less than the provision made. This adjustment will be reflected in the 2008/09 Statement of Accounts.

NOTES TO THE ACCOUNTS

23. Housing Pooled Capital Receipts

Following the introduction of the Finance Act 2003, a proportion of capital receipts generated from Housing is required to be paid over to the Government for income received on or after 1 April 2004. During 2007/08 this amounted to £20,567. This is calculated as 75% of the gross receipts.

24. Appropriations

Appropriations are analysed as follows.

Appropriations	31 Mar 2007 £'000	31 Mar 2008 £'000
To / (From) :		
Transfer to Interest Reserve	65	34
Building Control	8	23
Transfer from Revenue Reserves	82	(70)
	155	(13)

25. Reversal of Depreciation and Deferred Charges

This note shows the reversal of the effect of charging Depreciation and Deferred charges within the net cost of services so as to have no effect on the amount to be met from Government Grants and Local Taxpayers. There is no Minimum Revenue Provision (MRP) required as the Council is debt free.

Reversal of Depreciation and Deferred Charges	31 Mar 2007 £'000	31 Mar 2008 £'000
Deferred Charges	(954)	(775)
Depreciation	(1,183)	(2,045)
Release of Deferred Grant	11	11
	(2,126)	(2,809)

26. Long Term Debtors

These are amounts due to the Council that are not expected to be repaid within 12 months.

	2007 £'000	2008 £'000
Mortgages	88	53
Car Loans - over 1 year	19	9
Additions		
Mortgages	0	0
Car Loans - over 1 year	3	0
Repayments		
Mortgages	(35)	(24)
Car Loans - over 1 year	(13)	(5)
Closing Balances		
Mortgages	53	29
Car Loans - over 1 year	9	4
Total	62	33

NOTES TO THE ACCOUNTS

27. Stocks

Items held as stock items are Diesel, Gas Oil, Travel Tokens, Postages held on Franking Machines and Parking Warrants.

	31 Mar 2007 £'000	31 Mar 2008 £'000
Balance b/fwd	38	38
Additions	304	291
Issues	(304)	(308)
Balance c/fwd	38	21

28. Debtors

Included in this category are debts due to be repaid within the next financial year plus payments in advance, less any provision charged to revenue for bad and doubtful debts.

Debtors	31 Mar 2007 £'000	31 Mar 2008 £'000
NNDR Arrears	1,717	1,317
Council Tax Arrears	2,858	2,607
Government Departments	4,404	337
Hampshire County Council	16	36
Rents from Council Properties	100	104
Car Loans - less than 1 year	8	5
Sundry Debtors	2,097	1,674
Payments in Advance	131	840
	<u>11,331</u>	<u>6,920</u>
Less:		
Provision for Bad Debts		
- Council Tax	(915)	(974)
- NNDR	(416)	(394)
- Other	(313)	(345)
Net Sundry Debtors	<u>9,687</u>	<u>5,207</u>

29. Creditors

These are payments that are due to be made in the forthcoming financial year plus receipts obtained in one financial year that relate to the forthcoming financial year.

Creditors	31 Mar 2007 £'000	31 Mar 2008 £'000
NNDR Payments in advance	3,665	2,738
Council Tax Payments in advance	818	641
Government departments	0	712
Sundry Creditors	2,984	4,617
	<u>7,467</u>	<u>8,708</u>

NOTES TO THE ACCOUNTS

30. Deferred Capital Receipts

Deferred capital receipts represent the capital income that is still to be received from mortgagors and from long term debt repayments. The balance is reduced on receipt of principal repayment on loans.

Deferred Capital Receipts	31 Mar	31 Mar
	2007	2008
	£'000	£'000
Mortgages	53	28

31. Deferred Government Grants

This account records the written down value of government grants awarded to assist with capital financing. These are written down over the assets expected useful life.

Deferred Government Grants	31 Mar	31 Mar
	2007	2008
	£'000	£'000
Balance as at 1 April	128	117
Release of Sports Council Grant re Southwood pavilion	(11)	(11)
Balance as at 31 March	117	106

32. Revaluation Reserve

This account records the surplus arising from the revaluation of assets. Any revaluation is written down as assets are disposed of, depreciated or revalued downwards.

Revaluation is taken as the increase on historical cost of an asset. As the reserve was only created from April 2007, historical cost is taken as Net Book Value at 01/04/07.

Revaluation Reserve	31 Mar	31 Mar
	2007	2008
	£'000	£'000
Balance as at 1 April	0	0
Revaluation of Fixed Assets	-	45
Balance as at 31 March	0	45

NOTES TO THE ACCOUNTS

33. Capital Adjustment Account

This reserve includes amounts set aside from revenue or capital receipts, financing transactions relating to expenditure on fixed assets, and certain other capital transactions.

Capital Adjustment Account	31 Mar 2007 £'000	31 Mar 2008 £'000
Balance as at 1 April	23,195	32,563
Capital financing - use of:		
Useable Capital Receipts	2,560	1,570
Capital Grants	464	269
Developers contributions	596	573
Government Grants		
Deferred	11	11
Prior Year adjs	(16)	300
Less:		
Deferred charges written off	(937)	(775)
Impairments		(75)
Change of use		(168)
Depreciation	(1,183)	(1,802)
Balance as at 31 March	24,690	32,465
Transfer from Fixed Asset Restatement Account	7,873	
Adjusted balance as at 31 March 2007	32,563	

34. Useable Capital Receipts

This reserve holds the proceeds from the sale of fixed assets, pending their use to finance capital expenditure.

Useable Capital Receipts	31 Mar 2007 £'000	31 Mar 2008 £'000
Balance as at 1 April	7,167	4,807
Capital Receipts:		
Mortgages	34	24
Disposal of Fixed Assets	183	0
Housing Pooling	(17)	(21)
Receipts used in year	(2,560)	(1,570)
Balance as at 31 March	4,807	3,240

35. Unapplied S106 Contributions

This reserve holds the proceeds from Developers contributions pending their use to finance capital expenditure.

Unapplied S106 Contributions	31 Mar 2007 £'000	31 Mar 2008 £'000
Balance as at 1 April	2,652	2,594
Receipts from Developers	559	601
Payments to developers / HCC	0	(222)
Receipts used in year - Capital	(617)	(573)
Receipts used in year - Revenue		(37)
Balance as at 31 March	2,594	2,363

NOTES TO THE ACCOUNTS

36. Reconciliation of Net (Surplus) / Deficit on the Income and Expenditure Account to the movement of cash on the Cash Flow Statement

Reconciliation of Net (Surplus)/Deficit on the Income and Expenditure in cash.	31 Mar 2007 £'000	31 Mar 2008 £'000
(Surplus) / Deficit for Year from the Income and Expenditure Account	756	2,646
Reversal of Depreciation & Impairments	(1,184)	(2,045)
Government Grants Deferred	11	11
Government Grants not Deferred	463	269
Contributions not deferred	595	573
Deferred Charges	(954)	(775)
Surplus/(Deficit) on Sale of Fixed Assets	217	24
Charges made for Retirement	(1,370)	(1,790)
Retirement Benefits	836	1,003
Section 106 Conts to Revenue		37
	(630)	(47)
Interest Receipts	911	1,135
Items on an accruals basis		
Increase / (Decrease) in Stock	0	(17)
Increase / (Decrease) in Revenue Debtors	2,496	(4,096)
(Increase) / Decrease in Revenue Creditors	(475)	(1,241)
	2,302	(4,266)

37. Reconciliation of items shown under Management of Liquid Resources

Management of Liquid Resources	31 Mar 2007 £'000	31 Mar 2008 £'000	Movement £'000
Cash in Hand and at Bank	2	2	0
Bank Overdraft	(84)	(238)	154
Liquid Resources			
Temporary Investments	8,000	7,000	(1,000)
Long Term Investments		3,000	3,000
Treasury Deposit	910	2,820	1,910
Call Money	2,150	2,150	0
	11,060	14,970	3,910

The treasury management service is an important part of the overall financial management of the Council's affairs. The Council's activities in this sphere are strictly regulated by statutory requirements and a professional Code of Practice.

Investments are only made with the top twenty banks or top twenty building societies according to asset size. Occasionally an investment will be made with another local authority. Long term investments have a maximum period of two years.

The list of approved banks and building societies within which investments are made are regularly reviewed using an AA system.

NOTES TO THE ACCOUNTS

38. Government Grants

Government Grants	2007	2008
	£'000	£'000
Revenue Grants		
Non Domestic Rate Grant	3,081	3,179
Revenue Support Grant	591	534
Housing Benefit - Subsidy	10,261	10,782
Housing Benefit - Admin	96	94
Housing Benefit - Other	317	356
Housing Defects	9	10
Homelessness	37	51
Community & Environmental Schemes	93	95
NNDR Discretionary Relief	36	38
Planning ODPM Grant	306	291
Elections	5	5
Supporting People	127	84
	14,959	15,519
Capital Grants	1,256	269
Total	16,215	15,788

39. Influence over Companies

The Council does not have either a controlling or non-controlling interest in any of the companies that it deals with.

40. Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets that the Council is aware of.

41. Authorisation of Accounts for Issue

The Statement of Accounts were authorised by the Audit Committee on 24th June 2008.

NOTES TO THE ACCOUNTS

42. Financial Instruments

The investments disclosed in the balance sheet are made up of the following categories of financial instruments:

Loans and Receivables	Long-term		Short-term	
	31 Mar	31 Mar	31 Mar	31 Mar
	2007	2008	2007	2008
	£'000	£'000	£'000	£'000
Investments	1,018	3,175	10,315	12,222
Debtors	62	33	6,756	2,996
Total Investments Fair Value	1,080	3,208	17,071	15,218

N.B. – figures for 31 March 2007 have been restated to include accrued interest where applicable.

The fair value of the above instruments was determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The following assumptions have been made to arrive at the fair value:

Interest is calculated using the most common market convention, ACT/365

It is assumed that interest is received on maturity or annually if term is more than 1 year.

Interest has not been adjusted where a relevant date occurs on a non working day.

These assumptions do not have a material effect on the fair value of the instrument.

The council had not entered into any forward rate investments at the 2007/08 balance sheet date. The councils activities expose it to a variety of financial risks. The council does not require debt financing and currently does not have any debt exposure. As such the key risks are in relation to financial assets and are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the council;
- Liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rate movements.

The councils overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations.

These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:

NOTES TO THE ACCOUNTS

- The Council's overall borrowing;
- It's maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures to the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.

By approving an investment strategy for the forthcoming year setting out its criteria for both

- Investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the councils annual tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the councils financial instrument exposure. Actual performance is also reported annually to members.

These policies are implemented by a central treasury team. The council maintains 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 through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and collection rates over the last five financial years, adjusted to reflect current market conditions. For deposits with banks and financial institutions historical experience is based on experience of default assessed by the credit ratings agencies as the Council itself has no experience of default, these figures would otherwise have shown as zero.

Maximum Exposure for	Amount at 31-Mar-08 £000s	experience of default %	market 31-Mar-08 %	maximum exposure to £000s
	(a)	(b)	(c)	(a x c)
Deposits with banks and financial institutions:				
AAA rated counterparties	9,000	0.001%	0.001%	0
AA rated counterparties	4,820	0.027%	0.027%	1
A rated counterparties	1,150	0.627%	0.627%	7
Other counterparties	0	0.627%	0.627%	0
Loans to Individuals	33	0.000%	0.000%	0
Trade debtors	7,304	0.792%	1.000%	73
	<u>22,307</u>			<u>81</u>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its trade debtors, such that £423,556 of the £3,380,563 balance is

past its due date for payment. The past due amount can be analysed by age as follows:

NOTES TO THE ACCOUNTS

Overdue trade debtors by age:	£000s
Up to 90 days	240
91 to 180 days	48
180 days to One year	131
1 to 2 years	3
Over 2 years	2
	<u>424</u>

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), also through cash flow management procedures required by the Code of Practice.

In the event of an unexpected cash requirement the Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. 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.

Refinancing and Maturity Risk

The Council maintains an 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 the maturing of longer term financial assets.

The approved prudential indicator limits 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 investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has no longer term financial liabilities. The maturity analysis of financial assets is as follows:

Financial Assets Maturity	£000s
Less than one year	15,602
Between one and two years	3,191
More than 2 years	17
	<u>18,810</u>

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how

NOTES TO THE ACCOUNTS

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:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

During 2007/08 all investment held by the Council were at fixed rates and no investment assets were held at fair value through profit and loss.

Price risk - The Council has no equity shares or shareholdings. It therefore has no exposure to loss arising from movements in share prices.

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.

COLLECTION FUND

Hart District Council is the authority responsible for the billing, collection and recovery of council tax, community charges and national non-domestic rates. The Council is required to maintain a separate income and expenditure account to reflect the transactions relating to the Collection Fund.

	2007 £'000	2008 £'000
Income		
Council Tax	(44,947)	(47,964)
NNDR Income	(21,532)	(23,495)
Council Tax Benefits	(2,142)	(2,251)
	<u>(68,621)</u>	<u>(73,710)</u>
Expenditure		
Precepts		
Hampshire County Council	33,565	35,313
Hampshire Police Authority	4,402	4,633
Hampshire Fire Authority	1,977	2,072
Hart District Council plus Parishes	6,626	6,937
NNDR Payment to National Pool	21,000	23,265
Interest on Refunds	58	164
Collection Costs Allowance	96	94
Discretionary Relief	36	38
Provision for Bad Debts	59	38
Bad Debts written off	390	192
	<u>68,209</u>	<u>72,746</u>
(Surplus) / Deficit for Year	<u>(412)</u>	<u>(964)</u>
Balance b/fwd	(1,533)	(944)
Distribution of Surplus		
Hampshire County Council	719	383
Hampshire Police Authority	94	50
Hampshire Fire Authority	43	23
Hart District Council plus Parishes	145	76
(Surplus) / Deficit for Year	<u>(412)</u>	<u>(964)</u>
Balance c/fwd	<u>(944)</u>	<u>(1,376)</u>

Any balances held on the Collection Fund are apportioned between the County Council, the Police and Fire Authorities and the District Council pro-rata to their precepts. This is then used wholly to reduce the County Council, the Hampshire Police and Fire Authorities and the District Council rates of Council Tax.

Surpluses or deficits in future years will be treated in the same way and give rise to reductions or increases in future levels of the Council Tax.

NNDR Rateable Values as at	1 April 2007	£60,353,590
	31 March 2008	£60,560,550

NNDR Multiplier 2007/08	44.4p	(43.3p in 2006/07)
Small Business Multiplier	44.1p	(42.6p in 2006/07)

NOTES TO THE COLLECTION FUND

1. Precepts and Demands

Precepts and Demands

Hampshire County Council	£35,313,121
Hart DC	£ 4,986,451
Hampshire Police	£ 4,632,810
Hampshire Fire Authority	£ 2,071,960

2. Council Tax Base Calculation

	A/AR	B	C	D	Band			H	Total
					E	F	G		
Net number of properties	484	1,381	6,517	7,156	6,638	5,917	3,302	200	31,594
Band Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	323	1,074	5,793	7,156	8,113	8,546	5,504	400	36,909
Class O Exempt Properties									798
Sub Total									<u>37,707</u>
Assumed Losses on Collection (2%)									754
Tax Base (equivalent Band D)									<u>36,953</u>

Audit Report – Hart DC

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Hart District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hart District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and Auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Council and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read other information published with the Council accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or

material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

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

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from

concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Best Value Performance Plan

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on 4 October 2007. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Hart District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

P Jarvis

30 September 2008

Signature:

Date:

Patrick Jarvis
District Auditor
Audit Commission
Collins House
Bishopstoke Road
Eastleigh
Hampshire
SO50 6AD

GLOSSARY OF TERMS

ACCRUALS

An important accounting principle is that income and expenditure should be accounted for in the period to which it relates, irrespective of the date of settlement.

An accrual is a sum included in the accounts to cover income or expenditure attributable to goods or services received within the accounting period but for which payment has not been received/made.

AGENCY

The provision of services by one organisation on behalf of another organisation. The organisation directly providing the services is reimbursed by the responsible organisation.

ASSET

Something of value which is measurable in monetary terms. The true value of the Council's assets is not always reflected in the accounts.

BALANCE SHEET

A statement of the assets and liabilities at the end of the accounting period.

CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account reflects the revaluation, disposal and depreciation of fixed assets, and the amounts used to finance capital expenditure.

CAPITAL FINANCING REQUIREMENT

A measure of the difference between the authority's total liabilities in respect of capital expenditure financed by credit and the provision that has been made to meet those liabilities.

CAPITAL RECEIPTS

Proceeds from the sale of assets e.g. land or a building.

Where a local authority is holding borrowing the Government specifies a proportion to be used to repay debt; the remainder can be used to finance new capital expenditure.

CENTRAL ADMINISTRATION CHARGES

An allocation of the net cost of the administrative and professional departments that support all of an authority's services, e.g. finance, personnel.

COLLECTION FUND

A fund maintained by collecting authorities into which is paid council taxes, NNDR, and community charges. The fund then meets the requirements of the County, District and Parish Councils and, the Thames Valley Police Authority, as well as paying NNDR to the national pool.

CREDIT APPROVALS

An authorisation given by the Government to use credit to finance capital expenditure. It permits the use of borrowing or other credit arrangements, such as leasing or deferred purchase, by which extended credit may be obtained.

CREDITOR

An amount owed by the organisation for work done, goods received or services rendered to the organisation within the accounting period but for which payment has not yet been made.

GLOSSARY OF TERMS

CURRENT ASSET

An asset where the value changes on a day-to-day basis e.g. stores, cash, debtors (as distinct from a Fixed Asset such as Land and Buildings).

CURRENT LIABILITY

An amount which will become payable or for which payment could be requested within the next accounting period, e.g. creditors, bank overdrafts, short term loans.

DEBTOR

An amount due to the organisation within the accounting period not received by the balance sheet date.

DEFERRED CHARGE

A deferred charge arises where

(i) expenditure is charged to capital but there is no tangible asset e.g. improvement grants, compensatory payments.

(ii) the asset is held by another organisation even though the Council has either paid for or made a contribution towards the cost of acquiring the asset.

DEFINED BENEFIT PENSION SCHEME

A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

FIXED ASSET

An asset which continues to have value and benefit for a period longer than one financial year.

FINANCIAL REPORTING STANDARD (FRS)

Accounting practice recommended by the ASB (Accounting Standards Board) for adoption in the preparation of accounts by applicable bodies (see also SSAP).

GENERAL FUND

The main revenue account of an authority, which summarises the cost of all services provided by the Council which are paid for from amounts collected from Council Tax payers, Government Grants and other income.

HOUSING REVENUE ACCOUNT (HRA)

An account which includes the expenditure and income relating to the direct provision of housing accommodation.

LIABILITY

An amount incurred by the organisation that is due to be paid at some time in the future.

NATIONAL NON DOMESTIC RATES (NNDR)

NNDR is a tax charged on commercial properties. It is calculated by multiplying a property's 'rateable value' by a nationally set amount (known as the 'NNDR multiplier'). The Council acts as a collecting agency for Central Government and passes all income onto the Office of the Deputy Prime Minister (ODPM). The ODPM then redistributes the money it receives back to local authorities based on resident population.

REVENUE SUPPORT GRANT (RSG)

This main non-specific grant paid by central government to local authorities to help fund the services that they provide. The allocation to each authority is determined by a complex formula.

GLOSSARY OF TERMS

SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended by Section 36 of the Local Government and Housing Act 1989) enables the Council to spend up to

£1.90 per head of resident population (£168,720 in 2007/08). This must be used for the benefit of people in the area on activities or projects not specifically authorised by other powers.