



Statement of Accounts

2009/10

CONTENTS

Explanatory Foreword	1
Statement of Accounting Policies	7
Statement of Responsibilities	13
Annual Governance Statement	14
The Accounting Statements	20
Notes to the Accounts	24
Collection Fund Account	54
Audit Report & Opinion	56
Glossary of Terms	62

EXPLANATORY FOREWORD

Introduction

1. Introduction

This foreword, which is set out on pages 1 to 6 of this document, provides a brief explanation of the Council's Statement of Accounts for 2009/10, and is supported by the Statement of Responsibilities (page 13), the Annual Governance Statement (pages 14 to 19) and the Statement of Accounting Policies (pages 7 to 12).

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 changes to Collection Fund Accounting which has necessitated a restatement of the 2008/09 comparative figures.

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 20.

A comparison of year-end figures to the budget and an explanation of significant variances are provided on pages 4 and 5.

3. Statement of the Movement on the General Fund Balance

This statement, shown on page 21, 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 21.

5. Balance Sheet

This statement sets out the overall financial position of the Council as at 31 March 2010 and incorporates the value of all assets and liabilities at the year-end. The balance sheet is shown on page 22.

EXPLANATORY FOREWORD

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. The statement can be found on page 23.

7. Notes to the Accounts

The notes to all the above statements are shown on pages 24 to 53.

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.

The statement and associated notes can be found on pages 54 to 55.

9. Capital Expenditure

The Council approved a capital programme with projected spending of £2.619m at the start of 2009/10 although during the year adjustments were made to the programme and the approved programme at the end of the financial year was £2.528m. These accounts show that £1.172m expenditure was incurred during the year. Some £1,097k is being requested for carry forward into 2010/11 to represent slippage and timing differences on this programme. Included in the programme are a variety of projects and schemes, such as the planned maintenance of community and leisure centres, grants to parish councils and voluntary organisations, social housing schemes, home improvement grants 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 7 to 12.

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 20 which should be read in conjunction with the Statement of Movement on General Fund balance which shows the overall outturn position for 2009/10 and the level of general reserves.

EXPLANATORY FOREWORD

Council Tax collection - the collection rate for Council Tax in 2009/10 was 98.2%, the same as the previous year.

Capital expenditure - The initial capital programme provided for expenditure of approximately £2.619m in 2009/10, but actual spending in the year was lower at £1.172m. The main reasons for this difference are the deferral of planned maintenance and social housing schemes.

12. Funding of future capital expenditure

The Council has funds and reserves of £5.66m as at the 31 March 2009/10 to finance capital expenditure, made up of useable capital receipts of £3.77m, developers' contributions of £1.5m and an Interest Reserve of £0.39m.

Future capital resources will be limited to developers' contributions, capital receipts from the sale of assets and specific Government grants although consideration has been 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 2009/10, will enable the Council to finance its current approved Capital Programme. Although some capital reserves remain unearmarked, these are becoming more limited and with the recession continuing the Council's ability to raise new capital resources will be difficult.

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 2011/12.

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 (MTFS) 2010-2013. 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, Corporate Plan and MTFS can be viewed on the Council's website (www.hart.gov.uk).

EXPLANATORY FOREWORD

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. The Council's Expenditure on Services

In 2009/10 the Council spent £37.33m 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 and income is shown in the Income and Expenditure Account on page 20.

	Expense £000's	Income £000's	Net £000's	Budget £000's	Variance £000's
Community & Partnerships	1,591	(510)	1,081	1,242	(161)
Corporate Management	1,006	(38)	968	1,514	(546)
Democratic Services	880	(180)	700	796	(96)
Financial Services	16,037	(14,950)	1,087	1,442	(355)
Housing Services	1,629	(518)	1,111	824	287
Leisure & Environmental Services	6,580	(3,980)	2,600	2,484	116
Planning & Environmental Regulation	3,432	(1,367)	2,065	1,658	407
Technical Services	5,638	(2,942)	2,696	2,874	(178)
Exceptional item	388	0	388	26	362
Non Distributed Costs	149	0	149	154	(5)
Net Cost of Services	37,330	(24,485)	12,845	13,014	(169)
Parish Precepts			1,372	1,372	0
Housing Pool			2	0	2
Interest Income			(376)	(368)	(8)
Pension Costs			1,740	0	1,740
Net Operating Expenditure			15,583	14,018	1,565
Grants & Taxes			(12,031)	(11,741)	(290)
Deficit for the year			3,552	2,277	1,275
Statement of Movement on General Fund			(3,627)	(1,767)	(1,860)
Transfer to General Fund			(75)	510	(585)

During the year the Council spent £75k less than it collected in Revenue Support Grant, NNDR and Collection Fund precept. This was significantly better than the estimated position which envisaged a £510k contribution from reserves.

EXPLANATORY FOREWORD

16. Key Variations

There are numerous variations making up overall under-spend the most significant are savings of £252k on Housing Benefits, £30k on Special Expenses and one off income of £43k from highways schemes. Additional grants in respect of LPSA £122k and LABGI £49k were received.

17. Pension Costs

The Council participates in Hampshire County Council's Pension Fund. The Council's share of the Pension Fund deficit increased from £22.39 million to £32.15 million at 31 March 2010. This represents some 95% of the Council's total equity. These figures include the Council's Unfunded Pensions Liability of £2.55m based upon figures provided by our actuaries Hewitt Associates Ltd.

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

In addition to the above change, the assets for the current period and previous two periods are now measured at current bid price. These were previously measured at mid-market values, and have been re-measured for this purpose.

The net effect of the changes above and the actuarial valuation of assets is an increased deficit of £9,760k on the council's pension liability.

Further information on pension costs is contained in Note 24 on pages 38 to 42.

18. Exceptional Items

During 2009/10 there was an exceptional item, as detailed in note 1 on page 24. Due to the need to make savings severance costs relating to staff redundancies amounted to £388k.

EXPLANATORY FOREWORD

19. Further Information

Further information about the Statement of Accounts can be obtained from the Finance Department, Civic Offices, Harlington Way, Fleet, Hampshire, GU51 4AE (tel. 01252 774475).

Sue Reekie

Section 151 Officer

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 2009: 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 2009/10 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 cash flow 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.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from Capital under statute relates 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. Although these are funded from Capital, the Council does not own any asset arising from these works; hence they are written off in year through revenue.

STATEMENT OF ACCOUNTING POLICIES

FINANCIAL ASSETS (INCLUDING INVESTMENTS)

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable

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.

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, 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.

STATEMENT OF ACCOUNTING POLICIES

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.

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 correct accounting treatment.

Disposals

Income from the sale of assets is accounted for as required by regulations issued under the Local Government Act 2003. This legislation requires that asset disposals exceeding £10,000 is a capital receipt and income below this level will fall to the income and expenditure account.

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

The Net Book Value of the disposal is debited to the Capital Adjustment Account. 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, impairments and amortisation of intangible assets.

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.

STATEMENT OF ACCOUNTING POLICIES

GRANTS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure. Capital grants and contributions are credited to the grants and contributions deferred accounts, and then amortised (written down) to the relevant service expenditure account in line with the related asset depreciation.

LEASES - FINANCE

A finance lease is recognised when the lessee is renting a lease for substantially all of its useful economic life, or if there is an opportunity for the lessee to purchase the asset at the end of the agreed rental period which the lessee intends to exercise. For finance leases (where the Council takes ownership of the asset) the finance charge is allocated to the relevant service expenditure account on an even basis over the term of the lease

The Authority has a finance lease relating to the lockers at Hart Leisure Centre which it will rent for substantially all of its useful economic life.

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.

RETIREMENT BENEFITS

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Hampshire County Council pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5%

STATEMENT OF ACCOUNTING POLICIES

The assets of the Hampshire County Council pension fund attributable to the council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unlisted securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Hampshire County Council pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

STATEMENT OF ACCOUNTING POLICIES

PROVISIONS FOR BAD 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 where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle an obligation is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

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 FOR THE STATEMENTS OF ACCOUNT

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 Interim Section 151 Officer.
- 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

On behalf of the Audit Committee I approve the Statement of Accounts, for the year ended 31/03/2010

Chair of the Audit Committee Stuart Bailey.....Date: 28/06/10

THE HEAD OF FINANCE'S RESPONSIBILITIES

The S.151 Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the S151 Officer 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 S.151 Officer 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 a true & fair view of the financial position of Hart District Council as at 31 March 2010.

Date 28/06/10

Alan Hill CPFA./Interim S.151 Officer/Date: 29th June 2010

Authorised for issue:

Sue Reekie/S151 Officer/Date: September 2010

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT 2009/2010

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 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 2010 and up to the date of approval of the Statements of Accounts.

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• Reporting and monitoring of key performance indicators

ANNUAL GOVERNANCE STATEMENT

	<ul style="list-style-type: none"> • Improved partnership working • Annual Financial Statements • Medium Term Financial Strategy • Constitution
Reviewing the Council's vision and the implications on its governance arrangements	<ul style="list-style-type: none"> • Corporate Plan Implementation Programme reported to Cabinet in July 09 and Nov 09 • Organisational Assessment Report (Dec 09).
Measuring the quality of services for users, to ensure 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 2009/10 and beyond • Use of Citizens Panel for user feedback and to aid decision making process
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, Audit 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	<ul style="list-style-type: none"> • Standing Orders (Jan 08) • Financial Regulations (Oct 08) • Scheme of Delegation (Sept 2006) • Procedure manuals for key functions • Risk Management Policy and Strategy (June 08)

ANNUAL GOVERNANCE STATEMENT

<p>controls are in place manage risks.</p>	
<p>Undertaking the core functions of an Audit Committee to comply with CIPFA good practice</p>	<ul style="list-style-type: none"> • Audit Committee Terms of Reference • Completion of Audit Committee Self Assessment Checklist (Reviewed and updated March 09) • Training for Audit Committee Members
<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 • External Audit Review • Ombudsman process • Governance arrangements
<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, 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 • Enhanced budget consultation

ANNUAL GOVERNANCE STATEMENT

Assessing the governance arrangements in place for partnerships and reflecting these in the Council's overall governance arrangements	<ul style="list-style-type: none"> • Use of Partnership Toolkit for key partnerships • Risk Registers in place for key partnerships
---	---

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

ANNUAL GOVERNANCE STATEMENT

<p>Audit Committee</p>	<ul style="list-style-type: none"> • Monitor progress of Internal Audit work • Monitor progress made on agreed internal and external audit recommendations • Review of all reports issued by External Audit • Review and approve Annual Statements of Accounts • Review risk management arrangements
<p>Standards Committee</p>	<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
<p>Internal Audit</p>	<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
<p>External Audit</p>	<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
<p>Ensure key documents that are part of the governance framework are reviewed, kept up to date and comply with good practice</p> <p>Scheme of Delegation</p>	Monitoring Officer	July 2010
Improve security of The Council's Financial System	Financial Services Manager (Capita)	June 2010
Improve value for money arrangements in respect of workforce planning.	Corporate Director	April 2010 and on-going through 2010/11
Ensure the transfer of the payroll function to Capita is properly planned and roles and responsibilities are clearly defined.	Corporate Director	July 2010

4.5 The Council proposes to take action on the above matters during the year 2010/11. The Council is satisfied that enhanced controls for the above weaknesses will improve the governance framework and will monitor progress being made to implement these improvements during the coming year.

Signed Geoff Bonner Date 29 June 2010

Chief Executive

Signed Ken Crookes Date 29 June 2010

Leader

THE ACCOUNTING STATEMENTS

INCOME & EXPENDITURE ACCOUNT

This statement reports the net costs of running the functions of the Council during the year and how this was financed from government grants and local taxation.

2008/09 Restated Net Expenditure £'000	Gross Expenditure £'000	2009/10 Gross Income £'000	Net Expenditure £'000	Notes
1,158 Central Services to the Public	4,307	(3,414)	893	
10,029 Cultural, Environmental and Planning	17,137	(8,693)	8,444	
878 Housing Services	13,738	(12,264)	1,474	
1,560 Corporate and Democratic Core	1,611	(79)	1,532	
235 Non Distributed Costs	149	0	149	
0 Exceptional Item	388	0	388	
<u>13,860 Net Cost of Services</u>	<u>37,330</u>	<u>(24,450)</u>	<u>12,880</u>	
(138) (Surplus)/Deficit on Sale of Fixed Assets			0	
1,343 Parish Council Precepts			1,372	
13 Contribution to Housing Pooled Capital Receipts			2	
(971) Interest and Investment Income			(376)	
2,970 Pensions Interest Cost			3,120	24
(2,100) Expected Return on Pensions Assets			(1,380)	24
<u>14,977 Net Operating Expenditure</u>			<u>15,618</u>	
(7,482) Collection Fund Precept			(7,820)	
(464) Revenue Support Grant			(715)	
(3,332) NNDR from National Pool			(3,100)	
(289) Other Government Grants			(431)	4
<u>3,410 (Surplus)/Deficit for Year</u>			<u>3,552</u>	

(Positive figures indicate Expenditure; negative figures indicate Income)

The 2008/09 comparative figures have been restated to reflect changes in accounting for precept income, the recognition of housing benefit overpayment debts, the recognition of additional earmarked reserves and the inclusion of non specific grants below net operating expenditure. The impact is to reduce the Net Cost of Services by £357K, increase the Collection Fund Precept by £73K and increase Other Government Grants by £289K, thus reducing the overall deficit by £719K.

THE ACCOUNTING STATEMENTS

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

Restated 2008/09 £'000	2009/10 £'000	Notes
3,410 Deficit for Year on the Income & Expenditure Account	3,552	10
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund		
(2,773) balance for the year	(3,627)	
637 (Increase)/Decrease in General Fund Balance	(75)	18
(2,607) General Fund Balance Brought Forward	(1,970)	
(1,970) General Fund Balance Carried Forward	(2,045)	
(Positive figures indicate a Deficit, bracketed figures indicate a surplus)		

The 2008/09 comparative figures have been restated to reflect the amended Income & Expenditure Account deficit and the revised movement on Earmarked Reserves. The recognition of housing benefit overpayment debtors has increased the General Fund Balance by £142K.

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

This statement brings together all the gains and losses of the Council for the year and shows aggregate decrease in net worth. In addition to the deficit on the Income & Expenditure Account it also shows gains or losses in respect of the revaluation of fixed assets and any revaluation of the net liability in respect of the payment of retirement benefits.

Restated 2008/09 £'000	2009/10 £'000	Notes
3,410 (Surplus)/deficit on the Income and Expenditure Account	3,552	
(60) (Surplus)/deficit arising from the revaluation of Fixed Assets	(39)	18
7,510 Actuarial (gains)/losses on pension fund assets and liabilities	8,450	24
(17) Other	(6)	35
10,843 Total Recognised (gains)/losses for the year	11,957	

The 2008/09 comparative figures have been restated to reflect the changed Income & Expenditure deficit and the change in net worth .

THE ACCOUNTING STATEMENTS

BALANCE SHEET

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

£'000		£'000	£'000	Notes
771	Intangible Fixed Assets		415	17
	Tangible Fixed Assets			
	Operational Assets			
166	Council Dwellings		195	11
25,247	Land and Buildings		24,649	11
1,937	Vehicles and Plant		1,419	11
233	Community Assets		232	11
454	Non Operational Assets		448	11
<u>28,808</u>	Total Fixed Assets		<u>27,358</u>	
1,036	Long Term Investments		0	
<u>13</u>	Long Term Debtors		11	34
29,857	Total Long Term Assets		27,369	
	Current Assets			
21	Stock	24		30
2,576	Debtors	3,153		
(499)	Less Bad Debt Provision	(441)		28
10,586	Investments	9,230		26
<u>450</u>	Cash in Hand	400		
13,134			12,366	
	Current Liabilities			
(3,192)	Creditors	(2,760)		29
0	Cash Overdrawn	0		
			(2,760)	
	Long Term Liabilities			
(35)	Assets acquired through Finance leases		(31)	14
(3,834)	Unapplied S106 Contributions		(2,887)	33
(95)	Deferred Government Grants		(110)	31
(11)	Deferred Capital Receipts		(5)	35
0	Developers Contributions Deferred		(315)	31
<u>(22,390)</u>	Net Pension Liability		<u>(32,150)</u>	24
<u>13,434</u>	Net Assets		<u>1,477</u>	
102	Revaluation Reserve		135	18
28,576	Capital Adjustment Account		26,763	18
(22,390)	Pensions Reserve		(32,150)	24
4,188	Useable Capital Receipts Reserve		3,767	18
1,970	General Fund		2,045	18
706	Earmarked Reserves		741	18
<u>282</u>	Collection Fund Adjustment Account		<u>176</u>	18
13,434			1,477	

The 2008/09 comparative figures have been restated to reflect movements between debtors, creditors and earmarked reserves. These cancel each other out in all circumstances other than an increase in debtors and the general fund balance of £142K representing housing benefit

THE ACCOUNTING STATEMENTS

overpayment debtors not previously recognised. The Collection Fund Adjustment Account has been reduced by £311K due to errors in prior years.

CASH FLOW STATEMENT

The cash flow statement presents the movement in cash and cash equivalents during the year.

Restated 2008/09 £000'S	2009/10 £000'S	Notes
Revenue Activities		
3,169 Net Revenue Activities Cashflow	1,159	27
Returns on Investment and Servicing of Finance		
<i>Cash Outflows</i>		
Interest Paid		
Interest element of Finance Leases		
<i>Cash Inflows</i>		
(1,033) Interest Received	(568)	
Capital Activities		
<i>Cash Outflows</i>		
1,028 Purchase of Fixed Assets	1,098	
Purchase of Long Term Investments		
22 Other Capital Cash Payments	116	
<i>Cash Inflows</i>		
Sale of Fixed Assets	0	
(233) Capital Grants Received	(431)	
(765) Other Capital Cash Receipts	(346)	
(2,000) Sale of Long Term Investments	(1,000)	
188 Net Cash Flow before Financing	28	
Management of Liquid Resources		
(1,770) Net increase/decrease in short term deposits	(1,200)	27
896 Net increase in other Liquid Resources	1,218	27
Financing		
<i>Cash Outflows</i>		
Repayments of amounts borrowed		
Capital Element of Finance Lease payments	4	
<i>Cash Inflows</i>		
New Loans raised		
New Short Term Loans		
686 Net increase/decrease in cash	(50)	27

THE ACCOUNTING STATEMENTS

The 2008/09 comparative figures have been restated to reflect the changes included in the SORP for Collection Fund accounting and the other restatements referred to on the previous accounting statements.

NOTES TO THE ACCOUNTS

1. Exceptional Items & Prior Year Adjustments

During 2009/10, as part of a cost cutting exercise, a number of redundancies were agreed. Due to the amounts involved this has been reported as an Exceptional Item on the face of the Income & Expenditure Account.

The total cost of termination payments was £388,393.

During the production of the accounts a number of errors were identified relating to the classification of balances in the 2008/09 accounts, the calculation of the Collection Fund Balance and treatment of housing benefit overpayment debtors. The 2008/09 comparative figures have been restated accordingly and the impact disclosed in the appropriate places.

In addition changes required by the SORP have required the restatement of the 2008/09 comparative figures in respect of Council Tax and NNDR debtors and creditors.

2. Obligations under Long-Term Contracts

The Council has entered in to a long term contract with Capita Business Services for the provision of Revenues and Benefits, Financial, Customer, Information Technology and Human Resources Services. The annual payments are estimated to be £2.3 million. The contract will run until September 2017.

3. Agency Services

The District Council provides a number of services on behalf of Hampshire County Council. In 2009/10 Hart DC received £266,173 for providing these services (2008/09 £245,020).

4. Government Grants (not attributable to specific services)

The table below analyses the grants received in the year that were not specific to certain services or activities and as such are required to be shown as part of the financing of services along with the major government grants and income from council tax payers.

	Restated 2008/09 £000's	2009/10 £000's
Area Based Grant	(23)	(23)
LABGI		(49)
LPSA Reward Grant		(122)
Housing & Planning Delivery Grant	(266)	(237)
	<u>(289)</u>	<u>(431)</u>

The 2008/09 comparative figures have been restated to reflect changes in accounting for non attributable to specific services government grants.

5. Members' Allowances

The total value of Members' Allowances paid in 2009/10 was £201,490 (2008/09 £197,722).

NOTES TO THE ACCOUNTS

6. Officers Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 was as follows.

Salary	Number of Employees	2008/09		2009/10	
		2008/09	2009/10	2008/09	2009/10
100,000	104,999	1	1		
95,000	99,999				
90,000	94,999				
85,000	89,999				
80,000	84,999	1	1		
75,000	79,999				1
70,000	74,999	1			
65,000	69,999				1
60,000	64,999	2	3		
55,000	59,999	1			
50,000	54,999	2	1		
		<u>8</u>	<u>8</u>		

The following table sets out the remuneration disclosures for senior officers whose salary is less than £150,000 but equal to or more than £50,000.

2008/09							
Job Title	Banding	Salary	Bonus	Exp All	Comp for loss Em	Pension	Car Allowance
Chief Solicitor and Monitoring Officer	£50,000 - £54,999	£51,910	£0	£0	£0	£9,873	£2,638
Head of Housing Service	£55,000 - £59,999	£54,181	£0	£0	£0	£10,688	£3,000
Head Technical Service	£60,000 - £64,999	£57,642	£0	£0	£0	£10,900	£3,000
Head of Leisure Service	£60,000 - £64,999	£59,054	£0	£0	£0	£10,689	£3,000
*** Head of Planning Service	£55,000 - £59,999	£25,763	£0	£0	£0	£4,663	£3,000
Head of Finance	£70,000 - £74,999	£73,240	£0	£0	£0	£13,256	£0
* Corporate Director	£50,000 - £54,999	£52,670	£0	£0	£0	£8,147	£0
Corporate Director	£80,000 - £84,999	£77,890	£0	£0	£0	£15,484	£3,000
Chief Executive	£100,000 - £104,999	£98,840	£0	£0	£0	£17,890	£4,737
		£551,191	£0	£0	£0	£101,590	£22,375

2009/10							
Job Title	Banding	Salary	Bonus	Exp All	Comp for loss Em	Pension	Car Allowance
Chief Solicitor and Monitoring Officer	£50,000 - £54,999	£51,971	£0	£0	£0	£9,828	£2,876
Leisure Head of Service	£60,000-£64,999	£60,542	£0	£0	£0	£11,260	£3,000
Head of Housing Service	£60,000-£64,999	£60,543	£0	£0	£0	£10,323	£3,000
Head Technical Service	£60,000-£64,999	£60,715	£0	£0	£0	£11,456	£3,000
Head of Planning Service	£65,000 -£69,999	£68,292	£0	£0	£0	£12,696	£1,170
** Head of Finance	£70,000-£74,999	£46,942	£0	£0	£0	£4,590	£0
Corporate Director	£75,000 - £79,999	£77,662	£0	£0	£0	£14,442	£0
Corporate Director	£80,000 - £84,999	£78,133	£0	£0	£0	£14,568	£3,000
Chief Executive	£100,000 - £104,999	£98,550	£0	£0	£0	£18,384	£4,728
		£603,350	£0	£0	£0	£107,547	£20,774

* 9 Months, annual salary would have been £75,000
 ** 5 months, annual salary would have been £73,439
 *** 5 Months, annual salary would have been £58,920

NOTES TO THE ACCOUNTS

7. Related Parties 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). Details of transactions with Government Departments are set out in the Notes to the Accounts relating to the Cash-flow Statement.

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. In addition a questionnaire was circulated to all Members; from the replies provided there are no material transactions to be declared.

An amendment to FRS8 was issued in December 2008 which reflects changes to the law introduced by 'The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008'. The amendment was considered to be the most appropriate course of action to ensure compliance with the legal definition of a 'related party', including a reference to 'key management personnel'.

Senior Officers of the Council have control over the day to day management of the Council. The Corporate Directors, Chief Executive and Heads of Service 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.

8. Audit Costs

	Planned		Actual	
	31/03/09 £000's	31/03/10 £000's	31/03/09 £000's	31/03/10 £000's
Fees payable to the Audit Commission with regard to external services	139	123	126	134
Fees payable to the Audit Commission in respect of statutory inspection	15	9	15	9
Fees payable to the Audit Commission for the certification of grants and returns	27	29	27	29
	<u>181</u>	<u>161</u>	<u>168</u>	<u>172</u>

NOTES TO THE ACCOUNTS

The 2009/10 planned fees for external audit fees are shown above along with the actual payments made. These vary dependent upon the length of time taken to undertake the various activities. These costs are included within the Corporate & Democratic Core costs in the Income & Expenditure Account.

9. 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

10. Breakdown of reconciling items in the Statement of Movement on the General Fund Balance

The following table shows the detailed entries that make up the Statement of Movement on the General Fund Balance.

2008/09 £'000	Statement of Movement on the General Fund Balance	2009/10 £'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.	
(2,972)	Reversal of Depreciation and impairment/revaluation of fixed assets	(1,978)
	11 Government Grants Deferred	11
(595)	Revenue Expenditure Funded from Capital under Statute	(278)
	298 Government Grants not Deferred	
	172 Contributions not Deferred	
	138 Surplus/(Deficit) on Sale of Fixed Assets	
(43)	Effects of Financial Instruments	
(1,247)	Charges made for retirement benefits in accordance with FRS17	(2,490)
	73 Council Tax Income Adjustment Account	(105)
(4,165)		(4,840)
	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.	
	Transfer from Useable Capital Receipts to meet payments to the Housing	
(13)	Capital Receipts Pool	(2)
	Employers contributions payable to HCC Pension Fund and retirement	
1,000	benefits payable direct to Pensioners	1,180
(987)		1,178
	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.	
405	Appropriations to / (from) Reserves	35
405		35
(2,773)	Net additional amount required to be credited to the General Fund	(3,627)

NOTES TO THE ACCOUNTS

11. Summary of Capital Expenditure & Fixed Asset Disposals

The movement on operational assets during the year is summarised below.

Movement on Operational Fixed Assets					
	Council Dwellings £000's	Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Community Assets £000's	Total £000's
GBV 1st April 2009	175	27,644	5,127	349	33,295
<i>Write off of accumulated depreciation on revaluation or disposal</i>					
GBV	(12)		(120)		(132)
Accumulated Depreciation	12	0	120		132
Additions		392	78	19	489
Disposals					
Revaluations	32	7			39
Impairment		(264)			(264)
GBV 31st March 2009	195	27,779	5,085	368	33,427
Depreciation 1st April 2009	(10)	(2,397)	(3,191)	(115)	(5,713)
Depreciation in year	(2)	(733)	(595)	(21)	(1,351)
Total Depreciation 31st March 2010	0	(3,130)	(3,666)	(136)	(6,932)
Net Book Value 31 March 2010	195	24,649	1,419	232	26,495
Net Book Value 31st March 2009	166	25,247	1,937	233	27,583
Nature of Asset Holding					
Owned	195	24,649	1,388	232	26,464
Finance Lease	0	0	31	0	31
	195	24,649	1,419	232	26,495

The 2008/09 comparative figures have been restated to reflect changes in classification of the assets

NOTES TO THE ACCOUNTS

The following table shows the movement on non-operational investment properties during the year.

Movement on Non-Operational Fixed Assets	
	Investment Properties £000's
GBV 31st March 2009	460
Depreciation 1st April 2009	(6)
Depreciation in year	(6)
Total Depreciation 31st March 2009	(12)
Net Book Value 31 March 2010	448
Net Book Value 31st March 2009	454

The Council's capital financing requirement is shown below. All asset purchases were fully funded and the Council remains debt free.

Summary of Capital Expenditure and Sources of Finance		
	2008/09 £000's	2009/10 £000's
Opening Capital Financing Requirement	(1,125)	
PYA Mortgages not in CFR	(49)	
Reverse Negative PCL	1,174	
Adjusted Balance Brought Forward	0	0
Capital Investment		
Operational Assets	278	489
Capital Expenditure funded from Revenue	595	683
	873	1,172
Sources of Finance		
Capital Receipts	(368)	(426)
Government Grants	(298)	(431)
Developers Contributions	(172)	(315)
Lease	(35)	
	(873)	(1,172)
Closing Balance	0	0

12. Commitments under Capital Contracts

There are no significant commitments under capital contracts at the balance sheet date.

NOTES TO THE ACCOUNTS

13. Information on Assets Held

The table below identifies the number of each category of assets held.

Statement of Physical Assets		
	31 Mar 2009	31 Mar 2010
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	11	11
Public Conveniences	5	5
Depots	1	1
Cemeteries	1	1
Operational Equipment		
Vehicles	25	24
Plant & Equipment	110	114
Non-Operational Assets		
Yateley CAB Building	1	1
Land occupied by Hook Bowling Club	1	1
Green Lane Car Park	1	1

14. Assets Held Under Lease

Operating leases relate to annual costs for vehicles of £27,888, photocopiers of £18,577, and vending/water machines of £6,820.

The finance lease held by the Council relates to the provision of new Lockers at Hart Leisure Centre.

NOTES TO THE ACCOUNTS

The table below shows the commitments of the Council to pay lease rentals in future years.

	Operating £'000	Finance Leases £'000
Amounts due:		
Within one year	45	4
2 - 5 years	14	16
Over 5 years	-	11
	<u>59</u>	<u>31</u>

15. Valuation Information

The following statement shows the progress of the council's rolling programme for the revaluation of fixed assets. The valuations are carried out by an external professionally qualified valuer, Hollis Hockley of 1, Alexandra Road, Farnborough, Hampshire. The basis for valuation is set out in the statement of accounting policies.

	2005/06	2006/07	2007/08	2008/09	2009/10	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Land and Buildings						
Car Parks	-	39	230	1,703	60	2,032
Civic Offices	7,800	-	-	-		7,800
Depot	780	-	-	-		780
Dwellings	-	-	-	-	195	195
Leisure Assets	4,250	900	475	2,905	3,800	12,330
Non-Operational (See	-	825	325	-		1,150
Other Assets	-	1,360	375	-	4	1,739
Public Conveniences	-	443	-	-		443
	<u>12,830</u>	<u>3,567</u>	<u>1,405</u>	<u>4,608</u>	<u>4,059</u>	<u>26,469</u>
Disposals	-	-	-	-	-	0
Total	<u><u>12,830</u></u>	<u><u>3,567</u></u>	<u><u>1,405</u></u>	<u><u>4,608</u></u>	<u><u>4,059</u></u>	<u><u>26,469</u></u>

NOTES TO THE ACCOUNTS

16. Depreciation Methodologies

The council employs the straight line method which depreciates the value over the remaining useful life of the asset. The expected useful life applied to the different types of asset is shown below. These are however, reassessed as part of the rolling programme of revaluations.

Depreciation	Useful Lives (for depreciation purposes) Years
Car Parks	Not depreciated
Public Conveniences	15-25
Depots and Stores	10
Sports Centres	20-40
Administrative	35
Cemetery Building	15

17. Intangible Assets

The movement on intangible assets is shown in the table below.

Movement on Intangible Fixed Assets	
	£000's
GBV 31st March 2009	2,124
Depreciation 1st April 2009	(1,353)
Depreciation in year	(356)
Total Depreciation 31st March 2009	(1,709)
Net Book Value 31 March 2010	415
Net Book Value 31st March 2009	771

Intangible assets held consist of software licences.

These are amortised on a straight line basis generally over a five year period.

NOTES TO THE ACCOUNTS

18. Reserve Movements

The table below summarises the movements on the council's reserves and states their purpose. A more detailed analysis of the movements on the most significant reserves is also provided.

	Restated			31 Mar 2010 £'000	Purpose
	31 Mar 2009 £'000	Amounts Received £'000	Amounts Applied £'000		
Capital Reserves					
Useable Capital Receipts	4,188	7	(428)	3,767	Accumulated surpluses in previous years, which have not yet been earmarked.
	<u>4,188</u>	<u>7</u>	<u>(428)</u>	<u>3,767</u>	
Revaluation Reserve	102	39	(6)	135	Non cashed-backed capital reserve required under current capital finance requirements
Capital Adjustment Account	28,576	442	(2,255)	26,763	Non cashed-backed capital reserve required under current capital finance requirements
	<u>28,678</u>	<u>481</u>	<u>(2,261)</u>	<u>26,898</u>	
Total Capital Reserves	<u>32,866</u>	<u>488</u>	<u>(2,689)</u>	<u>30,665</u>	
Revenue Reserves					
General Fund	1,970	75	-	2,045	Unearmarked revenue reserves (balances)
Earmarked Reserves	706	262	(227)	741	Reserves Earmarked for specific purposes
	<u>2,676</u>	<u>337</u>	<u>(227)</u>	<u>2,786</u>	
Collection Fund	282		(106)	176	This represents Hart's share of the surplus/(deficit) held on the Collection Fund
Pensions Reserve	(22,390)	-	(9,760)	(32,150)	A reserve used to indicate the surplus/(deficit) on the Council's pension liability
	<u>(22,108)</u>	<u>0</u>	<u>(9,866)</u>	<u>(31,974)</u>	
Total Revenue Reserves	<u>(19,432)</u>	<u>337</u>	<u>(10,093)</u>	<u>(29,188)</u>	
Total Reserves	<u>13,434</u>	<u>825</u>	<u>(12,782)</u>	<u>1,477</u>	

NOTES TO THE ACCOUNTS

The 2008/09 comparative figures have been restated to reflect changes in accounting treatment

The Capital Receipts Reserve holds the proceeds of the sale of fixed assets pending their use to finance further capital expenditure.

Useable Capital Receipts	31 Mar 2009 £'000	31 Mar 2010 £'000
Balance as at 1 April	3,240	4,188
Capital Receipts:		
PYA - Use of negative CFR	1,174	-
Mortgages	17	7
Disposal of Fixed Assets	138	-
Housing Pooling	(13)	(2)
Receipts used in year	(368)	(426)
Balance as at 31 March	<u>4,188</u>	<u>3,767</u>

The Revaluation Reserve records the surplus arising from the periodic revaluation of fixed assets. Revaluations are written down as assets are sold, depreciated or impaired.

Revaluation Reserve	31 Mar 2009 £'000	31 Mar 2010 £'000
Balance as at 1 April	45	102
Revaluation of Fixed Assets	60	39
Depreciation	(3)	(6)
Disposal of Fixed Assets	-	-
Other Adjustments	-	-
Balance as at 31 March	<u>102</u>	<u>135</u>

NOTES TO THE ACCOUNTS

The Capital Adjustment Account includes amounts set aside to fund capital expenditure and records other capital transactions such as depreciation and impairment.

Capital Adjustment Account	31 Mar 2009 £'000	31 Mar 2010 £'000
Balance as at 1 April	32,465	28,576
Capital financing - use of:		
Useable Capital Receipts	368	426
PYA - use negative CFR	(1,174)	
Capital Grants	298	
Developers contributions	172	
Government Grants Deferred	11	11
Historic Cost Depreciation	2	5
Less:		
Deferred charges written off	(595)	(278)
Impairments/revaluations	(1,059)	(264)
Change of use	0	
Depreciation	(1,912)	(1,713)
Balance as at 31 March	<u>28,576</u>	<u>26,763</u>

Earmarked Reserves are set aside for specific purposes an explanation of each is given below:

Housing & Planning: Represents the unspent allocation of a number of government grants which will be used to finance service provision within these service areas.

Homeless Reserve: This is a fund built up to facilitate the provision of services to homeless people in the District

Habitat Regulations: This reserve has been created to allow the Council to discharge its obligations under the Habitat Regulations

Technical Reserve: Has been established to fund redundancies in this service area.

Community Reserve: This reserve is used to fund a number of projects within this service area

NOTES TO THE ACCOUNTS

- Olympic Event:** This reserve has been established to allow for an event to be provided celebrating the Olympiad in 2012
- Building Control:** This reserve holds any surplus accumulated on the Building Control account and is used to ensure the service breaks even over a three year period.
- Interest Reserve:** This reserve holds the interest that has accumulated on unspent S106 payments and is set aside for use on those areas to which the S106's relate.

Movements on Earmarked Reserves				
	Opening Balance	Contributions from Revenue	Contributions to Revenue	Closing Balance
	£000's	£000's	£000's	£000's
Housing & Planning	241		(147)	94
Homelessness	16	35		51
Habitat Regulations	0	7		7
Technical Reserve	0	30		30
Olympic Event	14			14
Building Control	80		(80)	0
Community Reserve	127	28		155
Interest Reserve	228	162		390
	<u>706</u>	<u>262</u>	<u>(227)</u>	<u>741</u>

19. Contingent Assets & Liabilities

There were no material contingent assets or liabilities identified at 31st March 2010.

20. Authorisation of Accounts for Issue

The accounts were authorised for issue by Alan Hill, Interim S151 Officer, on 29th June, 2010. All events up to the date of authorisation have been considered in preparing these statements.

21. Net Asset Employment

All assets are employed in respect of the General Fund.

22. Interests in Companies

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

23. Post Balance Sheet Events

NOTES TO THE ACCOUNTS

There are no post balanced sheet events to report other than note 25 Pension liabilities changes

24. Retirement Benefits

Participation in pension schemes:

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The council is part of the Local Government Pension Scheme (LGPS), administered locally by Hampshire County Council. This is a funded defined benefit scheme based on final pensionable salary, which means that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. In addition there is an unfunded element relating to the award of additional service upon retirement.

Transactions relating to retirement benefits:

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make 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 in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

NOTES TO THE ACCOUNTS

	31 Mar 2009		31 Mar 2010	
	£'000	£'000	£'000	£'000
	Funded	Unfunded	Funded	Unfunded
Net Cost of Services				
Current Service Cost	710		600	
Past Service Cost	40		150	
Net Operating Expenditure				
Interest Cost	2,970	150	2,970	150
Expected Return on Pension Assets	(2,100)		(1,380)	
Net Charge to the Income & Expenditure Account	1,620	150	2,340	150
Statement of Movement on General Fund Balance				
Movements on Pensions Reserve	(1,620)	(150)	(2,340)	(150)
Actual amounts charged to the General Fund				
Employers Contributions Payable to scheme	1,000	150	1,020	160

In addition to the recognised gains and losses included in the Income & Expenditure account, actuarial losses of £8,450,000 (£7,510,000 in 2008/09) were included in the Statement of Total Recognised Gains & Losses.

The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains & Losses is a loss of £13.23 million

Assets & Liabilities in relation to retirement benefits:

Reconciliation of present value of the scheme liabilities.

Changes to the Present Value of Liabilities	31 Mar 2009		31 Mar 2010	
	Funded	Unfunded	Funded	Unfunded
	£M's		£M's	
Opening Present Value of Liabilities	44.11	2.24	45.07	2.28
Current Service Cost	0.71		0.6	
Interest Cost	2.97	0.15	2.97	0.15
Contributions By Participants	0.38		0.33	
Actuarial (gains)/losses on liabilities	(1.13)	0.04	14.84	0.28
Net Benefits Paid Out	(2.01)	(0.15)	(2.54)	(0.16)
Past Service Cost	0.04		0.15	
Net Increase in Liabilities from Disposals and Curtailments	0.00			
Settlements	0.00			
Closing Present Value of Liabilities	45.07	2.28	61.42	2.55

Reconciliation of the fair value of the scheme assets.

NOTES TO THE ACCOUNTS

Changes to the Fair Value of Assets	31 Mar 2009	31 Mar 2010
	£M's	£M's
Opening Fair Value of Assets	32.09	24.96
Expected Return on Assets	2.10	1.38
Actuarial gains/(losses) on assets.	(8.60)	6.67
Contributions by the Employer	1.00	1.02
Contributions By Participants	0.38	0.33
Net Benefits Paid Out	(2.01)	(2.54)
Net Increase in Assets from Disposals	0.00	
Settlements	0.00	
Closing Value of Assets	<u>24.96</u>	<u>31.82</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £8,050,000 (2008/09: (£6,000,000))

Scheme History:

Scheme History	2009/10	2008/09	2007/08	2006/07	2005/06
	£000's	£000's	£000's	£000's	£000's
Fair Value of Assets	31.82	24.96	32.09	31.9	30.31
Present Value of liabilities					
Funded	(61.42)	(45.07)	(44.11)	(48.33)	(46.09)
Unfunded	(2.55)	(2.28)	(2.24)	(2.60)	(2.54)
Surplus/ (Deficit)					
Funded	(29.60)	(20.11)	(12.02)	(16.43)	(15.78)
Unfunded	(2.55)	(2.28)	(2.24)	(2.60)	(2.54)
Total	<u>(32.15)</u>	<u>(22.39)</u>	<u>(14.26)</u>	<u>(19.03)</u>	<u>(18.32)</u>

The assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-market value for the periods ending 2008 and 2007 have been re-measured for this purpose. The asset value for the period ending 2006 is shown at mid-market value and have not been re-measured as permitted by FRS 17.

The liabilities show the underlying commitments the authority has in the long run to pay retirement benefits. The total liability of £32.15 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a reduction of the overall positive balance to just under £1.5 million.

NOTES TO THE ACCOUNTS

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary.

Finance to cover the unfunded element is only required when pensions are actually paid.

The total contributions expected to be made to the LGPS by the council in the year to 31st March 2011 is £1.1 million.

Basis of estimating rate of return on assets and liabilities.

Hart District Council employs a building block approach to determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within the note. The overall expected return for assets is then derived by aggregating the expected return for each class of asset over the actual asset allocation for the Fund at 31st March 2010.

Assumptions used for FRS17	31 March		31 March	
	2009		2010	
	Funded	Unfunded	Funded	Unfunded
Discount Rate	6.7% pa	6.7% pa	5.5%pa	5.5%pa
Discount Rate for Pensions costs	6.7% pa		5.5%pa	
Rate of increase in Salaries	4.8% pa		5.4%pa	
Rate of increase in Pension	3.3% pa	3.3% pa	3.9%pa	3.8%pa
Rate of increase to Deferred	3.3% pa		3.9%pa	
Mortality Assumptions:				
Longevity at 65 for Current				
Men	22.2	22.2	22.3	22.3
Women	24.2	24.2	24.3	24.3
Longevity at 65 for Future				
Men	24.5	24.5	24.7	24.7
Women	26.4	26.4	26.5	26.5
Rate of inflation	3.3% pa	3.3% pa	3.9%pa	3.8%pa
Long Term Expected Rates of return				
Equities	7.0% pa		8.0%pa	
Property	6.0% pa		8.5%pa	
Government Bonds	4.0% pa		4.5%pa	
Corporate Bonds	5.8% pa		5.5%pa	
Other Assets	1.6% pa		8.0%pa	
Weighted average	5.7% pa		6.7%pa	
Take up option to convert annual pension to lump sum				
Pre 01 April 2008	25%		25%	
Post 01 April 2008	75%		75%	

NOTES TO THE ACCOUNTS

The LGPS scheme's assets consist of the following categories, by proportion of the total assets held.

Proportion of Assets held by investment		
	31 March 2009	31 March 2010
Equities	55.2%	61.3%
Property	7.3%	6.1%
Bonds	27.4%	24.4%
Corporate	3.9%	2.4%
Other Assets	6.2%	5.8%
	<u>100%</u>	<u>100%</u>

History of Experience Gains & Losses

History of Experience Gains & Losses					
	2009/10	2008/09	2007/08	2006/07	2005/06
	£000's	£000's	£000's	£000's	£000's
Experience Gain/(Loss) on assets					
Amount	6.67	(8.60)	(1.51)	(0.04)	4.01
Percentage	21.00	(34.50)	(4.70)	(0.10)	13.20
Experience Gain/(Loss) liabilities					
Funded					
Amount	0.65	(0.25)	(0.041)	(0.13)	0.02
Percentage	1.10	(0.60)	(0.90)	(0.30)	0.00
Unfunded					
Amount	0.13	(0.04)			
Percentage	5.10	(1.80)			

In accordance with Paragraph 79 of FRS 17, unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of experience gain/ (loss) on liabilities shown has not been re-stated for periods ending 2008, 2007 and 2006 and includes the experience relating to unfunded liabilities.

25. Post Balance Sheet Event – FRS17 Pension Liabilities

In its budget on 22 June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI).

NOTES TO THE ACCOUNTS

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI is therefore expected to result in a reduction in the pensions liabilities and therefore the pension deficit on the balance sheet. The change will also impact upon the income and expenditure / profit and loss account over the next accounting period.

The actuaries have estimated that the impact on the balance sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the liabilities on the balance sheet by between 8% and 10%, with the exact figure depending on the member profile of the employer. Hewitt have based this estimate on the FRS 17 assumptions applicable at the accounting year end, and allowing for CPI increases being lower than RPI increases by around 0.7% p.a. in the long term (the actuarie's best estimate of the differential at the accounting date). The actual figure will also reflect the date of measurement and assumptions used when producing next year's figures.

It is anticipated that the reduction in liabilities will be accounted for as a (negative) past service cost i.e. that this change constitutes a change to benefits since pension scheme members will expect a lower benefit following the change than before the change.

It is also anticipated that the move to CPI will reduce the interest cost and current service cost calculated for the next accounting period compared to the position if pension increases remained linked to the RPI.

26. 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
	2009	2010	2009	2010
	£'000	£'000	£'000	£'000
Investments	1,036	0	10,586	9,230
Debtors	13	11	2,429	2,712
Total Investments Fair Value	1,049	11	13,015	11,942

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

NOTES TO THE ACCOUNTS

- 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's 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:
 - 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,

NOTES TO THE ACCOUNTS

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	Amount at 31-Mar-10 £000s	Historical experience of default %	Adj for market conditions at 31-Mar-10 %	Estimated maximum exposure to default £000s
	(a)	(b)	(c)	(a x c)
Deposits with banks and financial institutions:				
AAA rated counterparties	0	0.001%	0.001%	0
AA rated counterparties	3,500	0.027%	0.027%	1
A rated counterparties	2,000	0.627%	0.627%	13
Other counterparties	3,500	0.627%	0.627%	22
Loans to Individuals	11	0.000%	0.000%	0
Trade debtors	395	0.792%	1.000%	4
	<u>9,406</u>			<u>38</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 £395k of the £2,646k 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	227
91 to 180 days	71
180 days to One year	31
1 to 2 years	33
Over 2 years	33
	<u>395</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 maturity analysis of financial assets is as follows:

Financial Assets Maturity	£000s
Less than one year	9,230
Between one and two years	0
More than 2 years	0
More than three years	0
	<u>9,230</u>

NOTES TO THE ACCOUNTS

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 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.

Sensitivity Analysis

If interest rates had been 1% higher with all other variables held constant, the financial effects would be:

2008/09 £'000		2009/10 £'000
(164)	Increase in interest receivable on Investments	(159)

The impact of this would have been a decrease in the deficit on the Income and Expenditure Account.

The impact of a 1% fall in investments would have been as above, but with the movements being reversed, i.e. an increase in the deficit on the Income and Expenditure Account.

During 2009/10 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.

NOTES TO THE ACCOUNTS

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.

27. Cash Flow Statement Notes

The table below reconciles the deficit on the Income & expenditure Account to the net outflow of cash from revenue activities.

NOTES TO THE ACCOUNTS

Reconciliation of Surplus to net Cash Flow from Revenue Activities	Restated 2008/09	2009/10
(Surplus) / Deficit for the year on the Income & Expenditure Account	3,410	3,552
Collection Fund (Surplus) / Deficit		
Non Cash Transactions		
Impairment of Fixed Assets	(2,972)	(264)
Depreciation		(1,714)
Government Grants Written Down	11	11
Deferred Charges Written Down	(125)	(278)
Increase / (Decrease) in Stock	0	3
Deferred Liabilities	(99)	100
Increase / (Decrease) in Debtors	493	403
(Decrease) / Increase in Creditors	1,665	282
Net FRS 17 Pension Charges	(247)	(1,310)
Hosing Pool Payment		(2)
Other Adjustments		
Interest Paid		
Interest Received	1,033	376
Disposal Gain / (Loss)		
Net Cash Flow from Revenue Activities	3,169	1,159

The 2008/09 comparative figures have been restated to reflect changes in accounting treatment

The table below analyses the movement in cash and other liquid resources shown on the face of the Cash Flow Statement.

NOTES TO THE ACCOUNTS

Movements in items shown under Management of Liquid Resources	31/03/10	Restated 31/03/2009	Movement
Cash in hand / at Bank	400	450	(50)
Temporary Loans	9,000	10,200	(1,200)
Preceptors Cash Debtor/Creditor	(251)	(903)	652
NNDR Cash Debtor/Creditor	233	(333)	566
	9,382	9,414	(32)

The table below analyses the grants received from government during the year.

	2009	2010
Revenue Grants		
NNDR Pool Distribution	3,332	3,100
Revenue Support Grant	464	715
Housing Benefit Subsidy	10,490	13,146
Housing Benefit Admin	297	338
Housing Benefit Other	221	
LPSA Reward Grant		122
Homelessness	136	29
Community & Environmental Schemes	128	17
NNDR Discretionary Relief	10	
LABGI		49
Area Based Grant	23	23
Planning ODPM Grant	314	237
Elections	5	
	15,420	17,776
Capital Grants	233	406

The table below reconciles the movement in cash flows to the change to the net investments held by the Council.

Reconciliation of net cash flow to movement in debt	2008/09	2009/10
Cash inflow from new debt		
Investments	(2,000)	(1,000)
Cash inflow / outflow from change in liquid resources	(188)	(32)
Change in net debt	(2,188)	(1,032)
Net investments brought forward	12,602	10,414
Net investments carried forward	10,414	9,382

28. Debtors

NOTES TO THE ACCOUNTS

The table below analyses debts that are due to be repaid within the next twelve months and the bad debt provisions that are in place in that respect

Debtors	Restated	
	31 Mar	31 Mar
	2009	2010
	£'000	£'000
NNDR Cash Debtor	0	233
Council Tax Arrears	374	374
Government Departments	555	942
Hampshire County Council	11	8
Rents from Council Properties	104	0
Car Loans - less than 1 year	1	
Sundry Debtors	1,329	1,466
Payments in Advance	202	130
	<u>2,576</u>	<u>3,153</u>
Less:		
Provision for Bad Debts		
- Council Tax	(144)	(144)
- Other	(355)	(297)
Net Sundry Debtors	<u>2,077</u>	<u>2,712</u>

The 2008/09 comparative figures have been restated to reflect changes in accounting treatment

29. Creditors

The table below shows payments that the Council expects to make in the next twelve months and payments received in advance which relate to the next financial year.

Creditors	Restated	
	31 Mar	31 Mar
	2009	2010
	£'000	£'000
Council Tax Payments in advance	(97)	(96)
Preceptors Cash Creditor	(903)	(251)
NNDR Cash Creditor	(333)	0
Sundry Creditors	(1,859)	(2,413)
	<u>(3,192)</u>	<u>(2,760)</u>

The 2008/09 comparative figures have been restated to reflect changes in accounting treatment

30. Stock

NOTES TO THE ACCOUNTS

The stock held at the end of the financial year is analysed below.

Stocks	31 Mar	31 Mar
	2009	2010
	£'000	£'000
Bar & Catering	2	2
Fuel	9	8
Gas Oil	4	5
Warrants	-	1
Franking Machines	6	8
	<u>21</u>	<u>24</u>

31. Government Grants & Developers Contributions Deferred

The analysis below shows the amounts set aside from grants and developers contributions to fund capital expenditure incurred. The amounts are released to the Income & Expenditure Account to offset depreciation charges for the assets purchased.

Deferred Government Grants & Contributions	31 Mar	31 Mar
	2009	2010
	£'000	£'000
Balance as at 1 April	106	95
Release of Sports Council Grant re	(11)	(11)
New Grants & Contributions	-	341
Balance as at 31 March	<u>95</u>	<u>425</u>

32. Capital Expenditure Funded from Revenue under Statute

NOTES TO THE ACCOUNTS

Capital Expenditure funded from revenue under statute during the year is detailed below. The amounts written off were funded by way of capital receipts.

Summary of Movement on Revenue Expenditure funded by Capital Under Statute					
	Opening Balance 01/04/2009 £000's	Expenditure £000's	External Funding Received £000's	Amounts Written Off £000's	Closing Balance 31/03/2010 £000's
Private Sector Renewal	0	31		(31)	0
Disabled Facilities Grants	0	384	(228)	(156)	0
Parish Grants	0	5		(5)	0
Big Lottery Play Programme	0	177	(177)		0
Other	0	86		(86)	0
	0	683	(405)	(278)	0

33. Developers Contributions Unapplied

The table below shows the amount of S106 contributions which remain unspent at the end of the financial year. Other than those relating to open spaces they are available to fund capital expenditure.

Deferred Liabilities - Developers Contributions Unapplied					
	O/Bal 01/04/09 £000's	Receipts £000's	Payments £000's	Transfer to Current Liability £000's	C/Bal 31/03/10 £000's
Education	86		(4)		82
Housing	557				557
Highways	588	75	(395)	(268)	0
Leisure	1,018	175	(415)		778
Hitches Lane	0	88			88
Open Spaces	1,585	75	(175)	(103)	1,382
	3,834	413	(989)	(371)	2,887

34. Long Term Debtors

NOTES TO THE ACCOUNTS

The debts owed to the Council repayable over a period which exceeds twelve months are analysed below.

Long Term Debtors	31 Mar	31 Mar
	2009	2010
	£'000	£'000
Mortgages	29	11
Car Loans - over 1 year	4	2
Additions		
Mortgages	0	0
Car Loans - over 1 year	0	7
Repayments		
Mortgages	(18)	(6)
Car Loans - over 1 year	(2)	(3)
Closing Balances		
Mortgages	11	5
Car Loans - over 1 year	2	6
Total	13	11

35. Deferred Capital Receipts

The balance of Deferred Capital Receipts represents the amounts outstanding in respect of mortgages.

Deferred Capital Receipts	31 Mar	31 Mar
	2009	2010
	£'000	£'000
Opening Balance	28	11
Principal Repaid	(17)	(6)
Closing Balance	11	5

COLLECTION FUND

Collection Fund	31 March 2009 £'000	31 March 2010 £'000
Income		
Council Tax	(50,756)	(51,927)
NNDR Income	(25,604)	(27,230)
Council Tax Benefits	(2,401)	(2,722)
	<u>(78,761)</u>	<u>(81,879)</u>
Expenditure		
Precepts		
Hampshire County Council	37,630	38,581
Hampshire Police Authority	5,105	5,385
Hampshire Fire Authority	2,193	2,285
Hart District Council plus Parishes	7,390	7,750
NNDR Payment to National Pool	25,075	26,836
Interest on Refunds	75	32
Collection Costs Allowance	95	97
Discretionary Relief	36	41
Provision for Bad Debts	64	95
Bad Debts written off	458	295
	<u>78,121</u>	<u>81,397</u>
(Surplus) / Deficit for Year	<u>(640)</u>	<u>(482)</u>
Balance b/fwd	(1,477)	(1,982)
Distribution of Surplus		
Hampshire County Council	97	893
Hampshire Police Authority	13	121
Hampshire Fire Authority	6	52
Hart District Council plus Parishes	19	176
(Surplus) / Deficit for Year	<u>(640)</u>	<u>(482)</u>
Balance c/fwd	<u>(1,982)</u>	<u>(1,222)</u>

The 2008/09 comparative figures have been restated to increase the balance brought forward by £496K due to calculation errors in 2007/08 and 2008/09.

COLLECTION FUND

I. NNDR

The total NNDR Rateable Value as at 31st March 2010 was: £62,223,025 (£60,433,300 31st March 2009)

The NNDR multipliers applicable during the year were:

Full Rate: 48.50 pence

Small Business Rate: 48.1 pence

2. Council Tax Base

	Band								Total
	A/AR	B	C	D	E	F	G	H	
Net number of properties	510	1,463	6,757	7,308	6,735	6,035	3,351	204	32,363
Band Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	340	1,138	6,006	7,308	8,232	8,718	5,585	409	37,735
Class O Exempt Properties									732
Sub Total									38,467
Assumed Losses on Collection (1.5%)									574
Tax Base (equivalent Band D)									37,893

3. Precepts & Demands

Note 3 Precepts & Demands			
	Precept	Share of Surplus	Total
Hampshire County Council	38,581,109	871,228	39,452,337
Hart District Council	7,750,107	176,282	7,926,389
Hampshire Police Authority	5,384,917	122,547	5,507,464
Hampshire Fire Authority	2,284,924	51,538	2,336,462
	54,001,057	1,221,595	55,222,652

AUDIT REPORT & OPINION

Independent auditor's report to the Members of Hart District Council

Opinion on the financial statements

I have audited the accounting statements and related notes of Hart District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement 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 the Hart District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, of the financial position and financial performance of Hart District 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 Committee's corporate governance procedures or its risk and control procedures

I read other information published with the 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

AUDIT REPORT & OPINION

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 judgements 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 Hart District Council's financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, of the financial position and financial performance of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

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

Hart District 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 Committee 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 local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Council 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

AUDIT REPORT & OPINION

economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Hart District Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Patrick Jarvis

District Auditor

AUDIT REPORT & OPINION

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 (CFR)

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.

GLOSSARY OF TERMS

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.

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).

GROSS BOOK VALUE (GBV)

The value of assets prior to depreciation being applied

GLOSSARY OF TERMS

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.

LOCAL AUTHORITY BUSINESS GROWTH INCENTIVE (LABGI)

A form of grant funding

LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The pension scheme that is applicable to Local Government

LOCAL PUBLIC SERVICE AGREEMENT (LPSA)

A form of grant funding

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.

PRIOR YEAR ADJUSTMENT (PYA)

Adjustments made to the accounts for the prior year due to an error/change in regulation or estimation techniques that have a significant impact on the accounts

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.