



STATEMENT OF ACCOUNTS

2015/2016

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1.0 NARRATIVE REPORT

1.1 INTRODUCTION

The purpose of this narrative report is to provide an easily understandable guide to these financial statements and the performance of the council over the last year.

1.2 FINANCIAL OUTLOOK

In line with many local authorities Hart District Council has faced and continues to face significant financial challenges due to reductions in funding from central government and cost pressures within services. This position will continue until at least 2019/20 when the government intends to introduce the full localisation of business rates; however no details of this scheme are yet available so it is not possible to quantify the impact on the council's finances. The government has recognised the pressure on local authority finances by allowing the council to increase its Band D Council tax by £5 for 2016/17, following 5 years of no tax increases. Projections by the Chancellor of the Exchequer on what resources will be available to local government in the next 3 years assume Council tax increase in every year. Any actual decision to increase the level of future Council tax levels is the prerogative of the District Council.

Hart Council continues to examine ways of providing cost effective services and has agreed a number of initiatives in the last year. These are:

- It has commenced building a new Leisure Centre which is expected to open in March 2017. The management of its leisure facilities have been outsourced to a private company, Everyone Active, from February 2016. Even allowing for the costs of construction, the management fee payable to the Council will be significant boost to the revenue account in years to come.
- In conjunction with four other councils, Hart has entered into two new agreements to provide the following services until 2025:
 - Back office services, including Finance, Council Tax, Business Rates, IT and Human Resources.
 - Car Parks, Property Management and Land Charges Administration.
- In addition, the Council has a number of agreements to share services with other local authorities; these include Waste Collection, Garden Services, Building Control, Licensing and Legal Support.

1.3 FINANCIAL PERFORMANCE

The Council closely monitors its budgets during the year and there are regular reports to Cabinet and the Overview & Scrutiny Committee. Overall in 2015/16 there was an under-spend of £400k on the revenue budget largely due to the following:

1.0 NARRATIVE REPORT

Corporate Services

- Leadership Team - One off actuarial fees and pension contribution for Citizens Advice Bureau employees - £55k
- Business Support Unit - New post of Business Change Officer – £39k
- Customer Services Contract - Set up costs of transferring Customer Services Contact Centre to Basingstoke Council and providing Christmas cover - £40k

Democratic Services

- Election costs lower than anticipated – (£30k)

Financial Services

- Recovery of housing benefit overpayments higher than budgeted – (£175k)
- Contract inflation lower than budgeted – (£53k)

Leisure Services

- Income budgeted for now passed to new management contract – (£310k)

Environmental Services

- Staff vacancy – (£33k)
- Additional licence income – (£23k)

Planning

- Increased building control income – (£40k)

Technical

- Saving on waste management contract – (£138k)
- Higher car park income – (£169k)

This has resulted in the balance on the Council's General Fund Reserve increasing to £4.8m.

1.4 CAPITAL BUDGET

The overall performance against the 2015/16 capital budget is shown in the table below:

Area	Approved	Actual	Variance
	Budget	Expenditure	
	2015/16 £000	2015/16 £000	2015/16 £000
Corporate Management	382	579	(197)
Housing & Customer Services	1,215	556	659
Leisure & Environmental Promotion	24,410	7,520	16,890
Technical Services	517	241	276
	26,524	8,895	17,629

The variance of £17,629k was predominantly because most of the construction costs of the new Leisure Centre will be incurred in 2016/17. It is expected the Centre will open in March 2017. No long term borrowing has yet been undertaken by the Council in respect of these construction costs but loans of up to £14m will be necessary in 2016/17.

1.0 NARRATIVE REPORT

Other capital budgets have slipped but are expected to be spent during 2016/17.

The capital programme for 2015/16 was funded as follows:

Financed by:	2015/16 £000
Useable Capital Receipts	4,688
Developers Contributions	2,975
Internal Borrowing	870
Disabled Facilities Grant	283
Natural England	48
Water Framework	26
Environment Agency	6
	8,895

1.5 PENSION LIABILITY

The application of International Accounting Standard (IAS) 19 has resulted in a pension liability of £23.45 million shown in the Balance Sheet, a decrease of £2.60 million in the year. The main driver for this decrease was a re-measurement in the comprehensive income of the pension fund.

The liability represents our share of the liability to Hampshire County Council's Pension Fund. This amount is matched by a Pensions Reserve also shown on the Balance Sheet and therefore has no immediate impact on the Council's overall financial position and its General Fund Balances.

Further details are set out in the Accounting Policies and Pension Note (Note 7.34).

IAS19 does not directly impact on the actual level of employer contributions paid to the Hampshire County Council Fund. Employers' levels of contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The movement to the Fund is set out in more detail in note 7.34. The total liability has an impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains sound. The deficit on the scheme will be recovered through increased contributions over the remaining life of the employees as assessed by the actuary.

1.6 PRINCIPAL RISKS AND UNCERTAINTIES

The Council has a risk management strategy process to identify and evaluate risks. A risk matrix is reported quarterly to the Audit Committee and any updates and actions agreed. The two most significant risks in the risk register are:

Risk	Impact
Further reduction in Government funding which restricts revenue spending	Lower level of service provision to residents
Unable to complete and adopt the Local Plan	Prolonged period with unplanned development

1.0 NARRATIVE REPORT

1.7 FINANCIAL STATEMENTS

Explanation of accounting statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2016. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which in turn is underpinned by International Financial Reporting Standards;

A Glossary of key terms can be found at the end of this publication.

Statement of Responsibilities

The Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Council and the Chief Finance Officer for the Accounts. It contains a certification by the Chief Finance Officer. The Council's Chief Finance Officer is Tony Higgins.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

1.0 NARRATIVE REPORT

Cash Flow Statement

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

Collection Fund

The Collection Fund reflects a statutory requirement for billing authorities to maintain a separate fund to show the transactions in respect of the collection of council tax and non-domestic rates and the distribution of precepts.

1.8 FURTHER INFORMATION

Further information about these accounts is available from:

Head of Corporate Services
Hart District Council
Civic Offices
Harlington Way
Fleet
Hampshire
GU51 4AE

Telephone: 01252 622122
Email: enquiries@hart.gov.uk

1.9 INSPECTION AND AUDIT

Interested members of the public have the statutory right to inspect these accounts before the audit is completed. For the 2015/16 accounts, the inspection period was 1 July to 11 August 2016. These dates were advertised on the council's website.

2.0 STATEMENT OF RESPONSIBILITIES

2.1 THE COUNCIL'S RESPONSIBILITIES

The council 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 council, that officer was the Head of Finance, Tony Higgins until 9th August 2016 and Head of Corporate Services, Andrew Vallance thereafter.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

2.2 CHIEF FINANCE OFFICER RESPONSIBILITIES

I acknowledge my responsibility for the preparation of the Statement of Accounts 2015/16 in accordance with the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16: (the Code)*

In doing so, the following have been done:

- I have selected suitable accounting policies and applied them consistently.
- I have made appropriate judgements and estimates that were reasonable and prudent.
- I have complied with the CIPFA Code of Practice.
- I have kept proper accounting records which were up to date.
- I have taken reasonable steps for the prevention and detection of fraud and other irregularities.

2.3 CHIEF FINANCE OFFICER CERTIFICATE

I certify that the Statement of Accounts 2015/16 present a true and fair view of the financial position of the council (the Balance Sheet) and of its income and expenditure for the year ended 31 March 2016.

Signed

.....

Date: 27.9.16

Andrew Vallance, CPFA MBA MA(OXON)
Head of Corporate Services and S151 Officer

2.4 CHAIRMAN OF AUDIT COMMITTEE CERTIFICATE

I certify that the Statement of Accounts 2015/16 has received the full approval of Members.

Councillor

.....

Date: 27/09/2016

Chairman, Audit Committee

3.0 MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2015/16	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2015 carried forward	4,629	4,503	3,749	1,372	14,253	(3,060)	11,193
Surplus or (deficit) on provision of service	4,532	0	0	0	4,532	0	4,532
Other Comprehensive Income and Expenditure	0	0	0	0	0	4,108	4,108
Total Comprehensive Income and Expenditure	4,532	0	0	0	4,532	4,108	8,640
Adjustments between accounting basis & funding basis under regulation (Note 7.6)	(2,008)	0	(3,749)	426	(5,330)	5,330	0
Net increase or decrease before transfers to Earmarked Reserves	2,524	0	(3,749)	426	(798)	9,438	8,640
Transfers to or (from) Earmarked Reserves (Note 7.7)	(2,346)	2,346	0	0	0	0	0
Increase or decrease in year	179	2,346	(3,749)	426	(798)	9,438	8,640
Balance at 31 March 2016 carried forward	4,808	6,849	0	1,798	13,455	6,378	19,833

3.0 MOVEMENT IN RESERVES STATEMENT

2014/15	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2014 carried forward	3,641	2,844	2,961	1,728	11,174	(2,266)	8,908
Surplus or (deficit) on provision of service	1,487	0	0	0	1,487	0	1,487
Other Comprehensive Income and Expenditure	0	0	0	0	0	798	798
Total Comprehensive Income and Expenditure	1,487	0	0	0	1,487	798	2,285
Adjustments between accounting basis & funding basis under regulation (Note 7.6)	1,160	0	788	(356)	1,592	(1,592)	0
Net increase or (decrease) before transfers to Earmarked Reserves	2,647	0	788	(356)	3,079	(794)	2,285
Transfers to or (from) Earmarked Reserves (Note 7.7)	(1,659)	1,659	0	0	0	0	0
Increase or (decrease) in year	988	1,659	788	(356)	3,079	(794)	2,285
Balance at 31 March 2015 carried forward	4,629	4,503	3,749	1,372	14,253	(3,060)	11,193

4.0 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2014/15		Note	2015/16		Net
	Gross Expenditure £000	Gross Income £000		Gross Expenditure £000	Gross Income £000	
						Expenditure £000
6,307		(6,020)		6,490	(6,219)	271
5,403		(3,503)		5,231	(4,242)	989
9,336		(6,468)		9,669	(6,917)	2,752
2,685		(1,719)		2,817	(1,573)	1,244
12,047		(10,180)		13,209	(10,940)	2,269
1,477		(181)		2,031	(116)	1,915
37,255		(28,071)		39,447	(30,007)	9,440
2,323		(829)	7.8	2,374	(757)	1,617
993		(146)	7.9	812	(176)	636
10,916		(23,927)	7.10	11,643	(27,868)	(16,225)
						(4,532)
						(727)
						0
						(3,300)
						(81)
						(4,108)
						(8,640)

5.0 BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the council as at the balance sheet date. The net assets of the council as at the (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015			31 Mar 2016
£000		Note	£000
	Property, plant & equipment	7.11	
21,700	Other Land and Buildings		22,371
424	Vehicles, Plant, Furniture and Equipment		618
31	Infrastructure Assets		55
786	Community Assets		812
627	Assets Under Construction		7,865
22	Surplus Assets		46
<u>23,590</u>			<u>31,767</u>
141	Investment properties	7.12	156
200	Intangible Assets	7.13	129
2	Long term debtors		0
<u>23,933</u>	Long Term Assets		<u>32,052</u>
8,000	Short term investments		6,000
10	Inventories		1
2,925	Short term debtors	7.15	6,228
8,824	Cash and cash equivalents	7.16	7,657
150	Assets held for sale	7.17	0
<u>19,909</u>	Current Assets		<u>19,886</u>
(5,643)	Short term creditors	7.18	(7,732)
(919)	Provisions	7.19	(913)
<u>(6,562)</u>	Current Liabilities		<u>(8,645)</u>
(36)	Lease Liability	7.33	(7)
(26,051)	Other long term liabilities	7.34	(23,453)
<u>(26,087)</u>	Long Term Liabilities		<u>(23,460)</u>
<u>11,193</u>	Net Assets		<u>19,833</u>

5.0 BALANCE SHEET

31 March 2015 £000		Note	31 Mar 2016 £000
	Usable reserves		
4,503	Earmarked Reserves	7.7	6,849
4,629	General Fund		4,808
3,749	Capital Receipts		0
1,372	Capital Grants Unapplied		1,798
14,253			13,455
	Unusable reserves		
6,303	Revaluation Reserve	7.21.1	6,738
17,654	Capital Adjustment Account	7.21.2	24,410
0	Deferred Capital Receipts	7.21.3	0
(26,051)	Pension Reserve	7.21.4	(23,453)
(921)	Collection Fund	7.21.5	(1,281)
(45)	Accumulated Absences	7.21.6	(36)
(3,060)			6,378
11,193	Total Reserves		19,833

These Financial Statements replace the unaudited financial statements certified by Tony Higgins, S151 Officer on 21 June 2016.

Signed

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Date: 27.9.16

Andrew Vallance, CPFA MBA MA(OXON)

Head of Corporate Services and S151 Officer

6.0 CASH FLOW

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

This cash flow statement is prepared using the indirect method whereby the Surplus or Deficit on the Provision of Services is adjusted for non-cash items, removing the effects of accruals and extracting transactions relating to investing or financing activities.

2014/15 £000		2015/16 £000
1,486	Net surplus or (deficit) on the provision of services	4,532
(289)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 7.22)	1,102
(1,518)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(4,696)
(321)	Net cash flows from Operating Activities	938
(3,656)	Investing Activities (Note 7.23)	(277)
578	Financing Activities (Note 7.24)	(1,828)
(3,399)	Net increase or (decrease) in cash and cash equivalents	(1,167)
12,225	Cash and cash equivalents at the beginning of the reporting period	8,824
8,824	Cash and cash equivalents at the end of the reporting period (Note 7.16)	7,657

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced in the 2016/17 Code that are relevant to the requirements are:

- IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs (2010-2012 Cycle) – see next paragraph for further details
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible Assets* (Clarification on acceptable methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs (2010-2014 Cycle) – see next paragraph for further details
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- Changes to the format of the Comprehensive Income and Expenditure Statement
- Changes to the format of the Pension Fund Account and the Net Assets Statement

The issues included in the Annual Improvements to IFRSs 2010 – 2012 cycle are:

- IFRS 3: Business Combinations
- IFRS 8: Operating Segments
- IFRS 13: Fair Value Measurement
- IAS 16: Property, Plant & Equipment
- IAS 24: Related Party Disclosures
- IAS 38: Intangible Assets

The issues included in the Annual Improvements to IFRSs 2012 – 2014 cycle are:

- IFRS 5: Non-current Assets held for Sale and Discontinued Operations
- IFRS 7: Financial Instruments
- IAS 19: Employee Benefits

7.2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out within the notes in the Statement of Accounts the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- **Future Funding.** The funding settlement has increased certainty with the offer of a four-year settlement to any council that wished to take it up, alongside indicative allocations for each year of the Spending Review period. The intention of all these future reforms is to put councils in control of their own finances, allowing them to respond efficiently to local needs.

7.0 NOTES TO THE FINANCIAL STATEMENTS

- **Classification of Leases.** The council has undertaken an exercise to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and additional assets are recognised as Property, Plant and Equipment in the council's Balance Sheet.
- **Contracts or other arrangements which may include a Lease.** Under International Financial Reporting Standards the council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific assets and which therefore are considered to contain a lease. The accounting policy for leases has been applied to these arrangements (where they have been identified) to determine whether the lease contained within them is a finance or an operating lease and as a result additional assets are recognised as Property, Plant and Equipment in the council's Balance Sheet.

7.3 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council may be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £46,803 for every year that useful lives had to be reduced.</p>
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability for funded LGPS benefits of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £5.20m.</p> <p>However, the assumptions interact in complex ways. During 2015/16, the council's actuaries advised that the net pensions liability had decreased by £2.60m as a result of estimates being revised and the updating of the assumptions.</p>

7.0 NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Provisions	The council has made provision in relation to National Non-Domestic Rate Appeals and legal costs for land charges claims made against them. These provisions are based on an estimation of any future liability and the likelihood that these costs will be incurred.	If the estimates used in the calculation of the provision prove to be inaccurate then there will be further income or expenditure incurred by the General Fund.
Arrears	At 31 March 2016, the council had a balance of sundry debtors of £1,776k. A review of significant balances suggested that an impairment of doubtful debts of 0.6% (£10k) was appropriate. However, in the current economic climate it is not certain whether such an allowance may be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £10k to set aside as an allowance. This percentage appears low due to large invoices carried over on 31 March which were paid in April, so a provision was not required.

7.4 MATERIAL ITEMS OF INCOME AND EXPENSE

The council incurs significant expenditure through its delivery of services to the council tax payer and receives significant income from a number of sources to fund this. For example, the council incurs a significant proportion of its spend on benefit payments, which is funded predominantly by government grant.

During 2015/16 the council incurred £7.2m of capital expenditure used for the construction of the new Edenbrook leisure centre.

7.5 EVENTS AFTER THE BALANCE SHEET DATE

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the Balance Sheet date – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the Balance Sheet date – the Statement of Accounts is not adjusted to reflect such events, but where such events have a material effect disclosure is made in the Notes to the Accounts of the nature of the events and their estimated financial effect.

The date that the accounts were authorised for issue was the date that the S151 Officer signed the accounts. That date was 21 June 2016. Events after the balance sheet date (31 March 2016) have only been considered up to the authorisation date.

Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7.0 NOTES TO THE FINANCIAL STATEMENTS

On 23 June the UK voted in a referendum to leave the European Union. At the time of publishing these Accounts, the council has not identified any notable consequences that will impact on these financial statements. We will continue to monitor the effects of the referendum result on the council as the negotiation to withdraw progresses.

The council had no material items for consideration in 2015/16.

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure.

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
Pensions Costs (<i>transferred to (or from) the Pensions Reserve</i>)	783	0	0
Council tax and NDR (<i>transfers to or from Collection Fund</i>)	360	0	0
Holiday Pay (<i>transferred to the Accumulated Absences Reserve</i>)	(9)	0	0
Reversal of entries included in the Surplus or Deficit on the Provisions of Services in relation to capital expenditure (<i>these items are charged to the Capital Adjustment Account</i>)	(2,114)	0	679
Total Adjustments to Revenue Resources	(980)	0	679
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(939)	939	0
Statutory provision for the repayment of debt (<i>transfer from the Capital Adjustment Account</i>)	(89)	0	0
Total Adjustments between Revenue and Capital Resources	(1,028)	939	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	(4,688)	0
Application of Capital grants to finance capital expenditure	0	0	(253)
Total Adjustments to Capital Resources	0	(4,688)	(253)
Total Adjustments	(2,008)	(3,749)	426

7.0 NOTES TO THE FINANCIAL STATEMENTS

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
Pensions Costs (<i>transferred to (or from) the Pensions Reserve</i>)	802	0	0
Council tax and NDR (<i>transfers to or from Collection Fund</i>)	450	0	0
Holiday Pay (<i>transferred to the Accumulated Absences Reserve</i>)	3	0	0
Reversal of entries included in the Surplus or Deficit on the Provisions of Services in relation to capital expenditure (<i>these items are charged to the Capital Adjustment Account</i>)	1,663	0	10
Total Adjustments to Revenue Resources	2,918	0	10
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,588)	1,588	0
Payments to the government housing receipts pool (<i>funded by a transfer from Capital Receipts Reserve</i>)	1	(1)	0
Statutory provision for the repayment of debt (<i>transfer from the Capital Adjustment Account</i>)	(79)	0	0
Capital expenditure financed from revenue balances (<i>transfer to the Capital Adjustment Account</i>)	(92)	0	0
Total Adjustments between Revenue and Capital Resources	(1,758)	1,587	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	(800)	0
Application of Capital grants to finance capital expenditure	0	0	(366)
Cash payments in relation to deferred capital receipts	0	1	0
Total Adjustments to Capital Resources	0	(799)	(366)
Total Adjustments	1,160	788	(356)

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.7 TRANSFERS TO / FROM EARMARKED RESERVES

Earmarked reserves are created for specific purposes (legal/contractual requirement) that span financial years for which there is a definitive time frame. For example, District Elections are held every four years but funds are transferred to earmarked reserves annually for this purpose to prevent a disproportionate increase on the council tax every 4 years. These are revenue reserves. The note below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

	Balance at 1 April 2014 £000	Transfers In 2014/15 £000	Transfers Out 2014/15 £000	Balance at 31 March 2015 £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance at 31 March 2016 £000
Hitches Lane SANG	1,290	738	(188)	1,840	1,841	(153)	3,528
NNDR Smoothing Account	0	909	0	909	993	(909)	993
Open Spaces	627	34	(95)	566	251	(106)	711
Housing	405	486	(275)	616	850	(818)	648
Planning	70	98	(70)	98	513	(80)	531
Dilly Lane - SANG	173	1	0	174	1	(18)	157
Community Reserve	92	0	(7)	85	0	(6)	79
Health Contribution	74	0	0	74	1	0	75
Dilly Lane - CS	51	0	0	51	1	0	52
Corporate Services	0	0	0	0	42	0	42
Olympic Event / Roundabout Sponsorship	14	0	0	14	0	0	14
Tree Surgery Works	9	0	0	9	0	0	9
Spend on Gladstone	9	0	0	9	0	0	9
HART Road Safety Campaign	1	0	0	1	0	0	1
Technical & Environmental	0	15	0	15	0	(15)	0
Buy Noise equipment	3	0	0	3	0	(3)	0
Waste Promotions	24	15	0	39	0	(39)	0
	2,844	2,296	(635)	4,503	4,493	(2,147)	6,849

7.0 NOTES TO THE FINANCIAL STATEMENTS

A brief description of those reserves with balances over £25,000 is provided below.

Hitches Lane and Dilly Lane SANG

Developers contribution to provide Suitable Alternative Natural Green (SANG) spaces.

NNDR Smoothing Account

To be used to fund the NNDR deficit in 2016/17

Open Spaces

This reserve holds developers contributions towards the maintenance of Elvetham Heath.

Homelessness Housing Reserve

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

Community and Planning Reserve

These reserves are used to fund a number of projects within these service area.

Health Contribution

Health Contribution in respect of QEB (Queen Elizabeth Barracks)

Dilly Lane CS

Commuted Sums

Corporate Services

For website development pending 5 councils decision on the development for all councils.

7.8 OTHER OPERATING EXPENDITURE

2014/15 £000		2015/16 £000
2,322	Parish council precepts	2,374
1	Payments to the Government Housing Capital Receipts Pool	0
(829)	Gains on the disposal of non-current assets	(757)
<u>1,494</u>		<u>1,617</u>

7.9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £000		2015/16 £000
4	Interest payable and similar charges	2
980	Net interest on the defined benefit liability	810
(146)	Interest receivable and similar income	(161)
9	(Income) and expenditure in relation to investment properties and changes in their fair value	(15)
<u>847</u>		<u>636</u>

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.10 TAXATION AND NON SPECIFIC GRANT INCOMES

2014/15 £000		2015/16 £000
(8,086)	Council tax income	(8,190)
(1,471)	Revenue Support Grant	(1,115)
(12,208)	Non-domestic rates income & safety net	(12,383)
10,916	Non-domestic rates tariff, levy & deficit charges	11,643
(1,652)	Non-ringfenced government grants	(2,079)
(510)	Capital grants and contributions	(4,101)
<u>(13,011)</u>		<u>(16,225)</u>

7.11 PROPERTY, PLANT AND EQUIPMENT

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

Assets are initially measured at cost, comprising the purchase price plus any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating on the manner intended by management

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Charges to Revenue for Non-current Assets – Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7.0 NOTES TO THE FINANCIAL STATEMENTS

Component Accounting - Where components of an asset are significant in value in relation to the value of the asset as a whole, and they have substantially different economic lives, they will be recognised separately. Components will be recognised separately as and when they are replaced or re-valued.

7.11.1 Revaluations

The council carries out a rolling programme that ensures all Property, Plant & Equipment required to be measured at current value is revalued at least every five years. For the 2015/16 financial year, valuations were carried out as at 31 March 2016. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

All valuations were carried out externally by independent valuers Capita Symonds. Valuations of land and buildings were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Assets are then carried on the Balance Sheet using the following measurement basis:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus Assets – fair value
- All other Assets – current value

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Fair Value - The council measures some of its non-financial assets, such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest

7.0 NOTES TO THE FINANCIAL STATEMENTS

and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability

The council's surplus assets have been assessed as Level 3 for valuation purposes.

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	0	2,425	0	2,425
Valued at:				
31 March 2016	7,857	0	50	7,907
31 March 2015	6,310	0	0	6,310
31 March 2014	7,087	0	0	7,087
31 March 2013	894	0	0	894
31 March 2012	1,202	0	0	1,202
Total cost or valuation	23,350	2,425	50	25,825

7.11.2 Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against relevant service lines in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

There were no impairment losses recognised in the year (2014/15 has no impairment losses). Impairment losses are charged to the Comprehensive Income and Expenditure Statement then reversed out to the Capital Adjustments Account through the Movement in Reserves Statement.

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.11.3 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life and assets that are not yet available for use such as assets under construction.

Depreciation is calculated on a straight-line allocation over the useful life of the assets. Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the following bases:

- Infrastructure - straight line allocation 25 years
- Buildings – straight line allocation over the life of the property as estimated by the valuer
- Land – not depreciated
- Assets under construction – not depreciated
- Vehicles, plant and equipment – straight line allocation over 3 to 7 years
- IT and Intangible Assets – straight line allocation over 5 years

7.11.4 Capital Commitments

At 31 March 2016, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £16.3 million. The major commitments are:

- | | |
|----------------------------|-------------|
| • Edenbrook leisure centre | £14,822,000 |
| • Frogmore leisure centre | £1,485,000 |

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.11.5 Movements on Balances

2015/16	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation							
At 1 April 2015	23,115	3,970	31	878	627	34	28,655
Additions	266	399	24	79	7,238	0	8,006
Donations	643	0	0	0	0	0	643
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(441)	0	0	0	0	22	(419)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(208)	0	0	0	0	4	(204)
Derecognition - disposals	(30)	(1,944)	0	0	0	0	(1,974)
Other movements in cost or valuation	5	0	0	(2)	0	(10)	(7)
As at 31 March 2016	23,350	2,425	55	955	7,865	50	34,700
Accumulated Depreciation & Impairment							
At 1 April 2015	(1,415)	(3,546)	(0)	(92)	0	(12)	(5,065)
Depreciation charge	(931)	(203)	(0)	(53)	0	(4)	(1,191)
Depreciation written out to the Revaluation Reserve	1,145	0	0	0	0	0	1,145
Depreciation written out to the Surplus / Deficit on the Provision of Services	227	0	0	0	0	2	229
Derecognition - disposals	0	1,942	0	0	0	0	1,942
Other movements in cost or valuation	(5)	0	0	2	0	10	7
As at 31 March 2016	(979)	(1,807)	(0)	(143)	0	(4)	(2,933)
Net Book Value							
at 31 March 2016	22,371	618	55	812	7,865	46	31,767
at 31 March 2015	21,700	424	31	786	627	22	23,590

7.0 NOTES TO THE FINANCIAL STATEMENTS

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total £000
2014/15							
Cost or Valuation							
At 1 April 2014	21,514	3,751	25	718	0	446	26,454
Additions	343	219	6	160	627	0	1,355
Revaluation increases or (decreases) recognised in the Revaluation Reserve	2,166	0	0	0	0	(41)	2,125
Revaluation decreases recognised in the Surplus or Deficit on the Provision of Services	(125)	0	0	0	0	(23)	(148)
Derecognition - disposals	(783)	0	0	0	0	(47)	(830)
Reclassifications	0	0	0	0	0	(301)	(301)
As at 31 March 2015	23,115	3,970	31	878	627	34	28,655
Accumulated Depreciation & Impairment							
At 1 April 2014	(1,424)	(3,414)	0	(53)	0	(39)	(4,930)
Depreciation charge	(687)	(132)	(0)	(39)	0	(8)	(866)
Depreciation written out to the Revaluation Reserve	611	0	0	0	0	35	646
Depreciation written out to the Surplus or Deficit on the Provision of Services	4	0	0	0	0	0	4
Derecognition - disposals	81	0	0	0	0	0	81
As at 31 March 2015	(1,415)	(3,546)	(0)	(92)	0	(12)	(5,065)
Net Book Value							
at 31 March 2015	21,700	424	31	786	627	22	23,590
at 31 March 2014	20,090	337	25	665	0	407	21,524

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.12 INVESTMENT PROPERTIES

An investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the council's services.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Fair Value - The council's investment property portfolio has been assessed as Level 3 for valuation purposes (see Note 7.11.1 for explanation of fair value levels).

Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including Market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants.

There has been no change in the valuation techniques used during the year for investment properties.

The following table summarises the movement in the fair value of investment properties over the year:

2014/15 £000		2015/16 £000
0	Balance at start of year	141
151	Transfers from Property, Plant and Equipment	0
(10)	Net gains or (losses) from fair value adjustments	15
<u>141</u>	Balance at end of year	<u>156</u>

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.13 INTANGIBLE ASSETS

Intangible Assets are created when expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences), are capitalised and it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include only purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to the major software suites used by the council are all for 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £71k charged to revenue in 2015/16 was charged to the IT and Finance Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. A review of intangible assets with nil net book value on the asset register was carried out in year and disposals processed to create a more accurate profile of assets in use by the council.

2014/15 £000		2015/16 £000
	Balance at start of year:	
2,281	Gross carrying amounts	2,457
(2,173)	Accumulated amortisation	(2,257)
<u>108</u>	Net carrying amount at the start of the year	<u>200</u>
185	Additions - purchases	0
(9)	Derecognition - disposals	0
(84)	Amortisation for the period	(71)
<u>200</u>	Net carrying amount at the end of the year	<u>129</u>
	Comprising:	
2,457	Gross carrying amounts	394
(2,257)	Accumulated amortisation	(265)
<u>200</u>	Balance at end of year	<u>129</u>

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.14 FINANCIAL INSTRUMENTS

- **Financial Liabilities** - Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.
- **Financial Assets** – financial assets are classified into two types:
 - Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
 - Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.
- **Loans and Receivables** – loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

7.0 NOTES TO THE FINANCIAL STATEMENTS

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

	Long-term		Current	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Investments				
Loans and receivables	0	0	8,000	5,000
Available-for-sale financial assets	0	0	0	1,000
Total Investments	0	0	8,000	6,000
Debtors				
Loans and receivables	2	0	1,216	1,896
Total included in Debtors	2	0	1,216	1,896
Other Long-term Liabilities				
Finance lease liabilities	(36)	(7)		
Total Other Long-term Liabilities	(36)	(7)		
Creditors				
Financial liabilities at amortised cost	0	0	(2,932)	(3,189)
Total Creditors	0	0	(2,932)	(3,189)

Under the accounting arrangements for financial instruments, all financial assets are assessed for impairment. In 2015/16, the only financial assets for which there is evidence of impairment are short-term debtors. The Code permits the reduction in the carrying amount of financial assets to be held within an allowance account rather than adjusting the value of the financial asset directly.

The movement in the debtor impairment allowance account can be seen on the next page within the statement that shows how the income and expense in relation to financial instrument are carried in the Comprehensive Income & Expenditure Statement.

7.0 NOTES TO THE FINANCIAL STATEMENTS

Income, Expense, Gains and Losses

Financial Assets & Liabilities measured at amortised cost 2014/15 £000	Financial Assets: Loans and receivables 2014/15 £000	Financial Assets: Available for Sale 2014/15 £000	Financial Assets: Loans and receivables 2015/16 £000	Financial Assets: Available for Sale 2015/16 £000	Total 2014/15 £000	Total 2015/16 £000
4	0	0	2	0	4	2
0	0	0	0	0	0	0
4	0	0	2	0	4	2
Interest expense						
Fee Expense						
Total expense in Surplus or Deficit on the Provision of Services						
0	(146)	0	0	(131)	(146)	(161)
Interest income						
Total income in Surplus or Deficit on the Provision of Services						
0	(146)	0	0	(131)	(146)	(161)
4	(146)	0	2	(131)	(142)	(158)
Net gain or (loss) for the year						
4	(146)	0	2	(131)	(142)	(158)

7.0 NOTES TO THE FINANCIAL STATEMENTS

Fair Value for Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2015			31 March 2016	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		Financial Assets		
8,000	8,032	Loans and receivables	5,000	5,016
0	0	Available-for-sale financial assets	1,000	1,002
2	2	Long-term debtors	0	0
8,002	8,034		6,000	6,018
		Financial Liabilities		
(36)	(36)	Finance lease liabilities	(7)	(7)
(36)	(36)		(7)	(7)

The fair value of lease liabilities is calculated as the net present value of future minimum lease payments.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

7.15 DEBTORS

Income is recognised in the accounts when it becomes due. Income that is due but has not been received at the end of the financial year is carried under the debtors heading in the balance sheet.

This debtor balance is reviewed at each year end to assess the recoverability of the sums due and where it is doubtful that debts will be settled the balance of debtors is written down and an impairment charge made to the relevant account for the income that might not be collected. This assessment is carried out using the council's past experience and current knowledge of collection rates for different groups of debtors.

7.0 NOTES TO THE FINANCIAL STATEMENTS

31 March 2015		31 March 2016
£000		£000
1,009	Central government bodies	2,466
701	Other local authorities	1,866
1,215	Other entities and individuals	1,896
2,925		6,228

7.16 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three-months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

31 March 2015		31 March 2016
£000		£000
4	Cash held by the council	0
1,810	Bank current accounts	647
7,010	Short-term deposits	7,010
8,824		7,657

7.17 ASSETS HELD FOR SALE

The council previously held a 3 bedroom dwelling classified as other land and buildings. The building was boarded up and in need of refurbishment. The council's valuers advised that the property should be classed as an asset held for sale as of 31 March 2015. The property was sold on 17th December 2015 for £525,500.

31 March 2015		31 March 2016
£000		£000
0	Balance outstanding at start of year	150
	Assets newly classified as held for sale:	
150	Property, Plant & Equipment	0
0	Assets sold	(150)
150	Balance outstanding at year-end	0

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.18 CREDITORS

Creditors are all amounts owed by the council as at 31 March 2016.

31 March 2015		31 March 2016
£000		£000
(257)	Central government bodies	(69)
(2,454)	Other local authorities	(4,474)
(2,932)	Other entities and individuals	(3,189)
(5,643)		(7,732)

7.19 PROVISIONS

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

	Balance at 1 April 2015 £000	Additional provisions made in 2015/16 £000	Amounts used in 2015/16 £000	Balance at 31 March 2016 £000
Business Rates Appeals Provision	(803)	(693)	614	(882)
Land Charges Provision	(116)	0	85	(31)
Total	(919)	(693)	699	(913)

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.20 USABLE RESERVES

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council – these are capital reserves. The Capital Receipts Reserve and S106 reserves are examples of this.

- General Fund - the primary fund of the council. It records all assets and liabilities of the council that are not assigned to a special purpose fund. It provides the resources necessary to sustain the day-to-day activities and thus pays for all administrative and operating expenses.
- Earmarked Reserves - The council has a number of earmarked reserves and details of the main earmarked reserves can be found in the earmarked reserves section of these accounts.
- Capital Receipts Reserve - represents the capital receipts available to finance capital expenditure in future years, after setting aside any statutory amounts for the repayment of loans. The receipt arising from the disposal of an asset will be classed as a capital receipt, to be used to finance capital expenditure, if it is greater than £10,000. If the receipt falls below this threshold it will fall to the income and expenditure account, in accordance with the Local Government Act 2003.
- Capital Grants Unapplied Reserve - where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Reserve. These balances are a capital resource available to finance expenditure.

Movements in the council's usable reserves are detailed in 3.0 Movement in Reserves Statement and Note 7.6 Adjustments between accounting basis and funding basis under regulation.

The balances of the individual reserves can be seen on the Balance Sheet.

7.21 UNUSABLE RESERVES

7.21.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

7.0 NOTES TO THE FINANCIAL STATEMENTS

The Revaluation Reserve contains revaluations gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

31 March 2015 £000		31 March 2016 £000
3,637	Balance at 1 April	6,303
2,805	Upward revaluation of assets	727
(35)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
2,770	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	727
(104)	Difference between fair value depreciation and historical cost depreciation	(269)
0	Accumulated gains on assets sold or scrapped	(23)
(104)	Amount written off to the Capital Adjustment Account	(292)
6,303	Balance as at 31 March	6,738

7.21.2 Capital Adjustment Account

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

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

7.0 NOTES TO THE FINANCIAL STATEMENTS

31 March 2015 £000		31 March 2016 £000
17,886	Balance at 1 April	17,654
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(866)	Charges for depreciation and impairment of non-current assets	(1,191)
(144)	Revaluation gains or (losses) on Property, Plant and Equipment	25
(84)	Amortisation of intangible assets	(71)
(664)	Revenue expenditure funded from capital under statute	(888)
(759)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(182)
(2,517)		(2,308)
104	Adjusting amounts written out of the Revaluation Reserve	291
(2,413)	Net written out amount of the cost of non-current assets consumed in the year	(2,016)
	Capital financing applied in the year:	
800	Use of the Capital Receipts Reserve to finance new capital expenditure	4,688
853	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,084
366	Application of grants to capital financing from the Capital Grants Unapplied Account	253
79	Statutory provision for the financing of capital investment charged against the General Fund balance	89
92	Capital expenditure charged against the General Fund balance	0
2,190		8,114
(9)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	15
0	Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	643
<u>17,654</u>	Balance as at 31 March	<u>24,410</u>

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.21.3 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31 March 2015 £000		31 March 2016 £000
1	Balance at 1 April	0
(1)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<u>0</u>	Balance as at 31 March	<u>0</u>

7.21.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements in accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed at the time the council makes the employer contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2015 £000		31 March 2016 £000
(23,277)	Balance at 1 April	(26,051)
(1,970)	Re-measurement of the net defined benefit liability / (asset)	3,300
(1,780)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,710)
976	Employer's pensions contributions and direct payments to pensioners payable in the year	1,008
<u>(26,051)</u>	Balance as at 31 March	<u>(23,453)</u>

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.21.5 Collection Fund Adjustment Account

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

Total		Council Tax	Non- domestic Rates	Total
31 March 2015 £000		31 March 2016 £000	31 March 2016 £000	31 March 2016 £000
(471)	Balance at 1 April	313	(1,235)	(922)
(450)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	(192)	(167)	(359)
<u>(921)</u>	Balance as at 31 March	<u>121</u>	<u>(1,402)</u>	<u>(1,281)</u>

7.21.6 Accumulated Absences Account

Benefits payable during employment are short-term employee benefits due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render services to the council. Where wages/salaries, overtime, and any other allowances have not physically been paid for within the period but relates to the period then the period will be charged by the means of an accrual.

However these transactions must not have a financial impact upon the General Fund. To mitigate this accrual a corresponding entry will be made to the Accumulated Absences Account.

7.0 NOTES TO THE FINANCIAL STATEMENTS

31 March 2015 £000		31 March 2016 £000
(42)	Balance at 1 April	(45)
42	Settlement or cancellation of accrual made at the end of the preceding year	45
(45)	Amounts accrued at the end of the current year	(36)
(3)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9
(45)	Balance as at 31 March	(36)

7.22 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

31 March 2015 £000		31 March 2016 £000
146	Interest received	184
(4)	Interest paid	(2)

The surplus or deficit on the provision on services has been adjusted for the following non-cash movements.

31 March 2015 £000		31 March 2016 £000
950	Depreciation and Amortisation	1,262
144	Impairment and downward valuations	(25)
(166)	Net book value of disposed assets	182
(4)	(Increase) / Decrease in Stock	9
545	(Increase) / Decrease in Debtors	(2,342)
(2,730)	Increase / (Decrease) in Creditors	1,897
160	Increase / (Decrease) in Provisions	(6)
802	Movement in Pension Liability	783
9	Changes in fair value of investment properties	(15)
0	Donated Assets	(643)
1	Other non-cash items charged to the net surplus or deficit on the provision of services	0
(289)		1,102

7.0 NOTES TO THE FINANCIAL STATEMENTS

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

31 March 2015 £000		31 March 2016 £000
(663)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(939)
(855)	Any other items for which the cash effects are investing or financing cash flows	(3,757)
<u>(1,518)</u>		<u>(4,696)</u>

7.23 CASH FLOW STATEMENT – INVESTING ACTIVITIES

31 March 2015 £000		31 March 2016 £000
(1,490)	Purchase of property, plant & equipment, investment property and intangible assets	(6,977)
(3,946)	Purchase of short & long term investments	0
(1)	Other payments for investing activities	(1)
925	Proceeds from sale of property, plant & equipment, investment property and intangible assets	939
0	Proceeds from short & long term investments	2,000
856	Other receipts	3,762
<u>3,656</u>		<u>(277)</u>

7.24 CASH FLOW STATEMENT – FINANCING ACTIVITIES

31 March 2015 £000		31 March 2016 £000
	Other receipts from financing activities	
663	Capital Receipts	0
454	Council Tax Preceptor Cash	0
(79)	Cash payments for finance leases	(60)
	Other payments from financing activities	
0	Council Tax Preceptor Cash	(1,018)
(460)	NNDR Cash Payments	(751)
<u>578</u>		<u>(1,828)</u>

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.25 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The council is required to identify and disclose information in its financial statements in respect of operating segments. These are components of the council about which separate financial information is available that is evaluated regularly by the council's operational decision makers (corporate management team) in deciding how to allocate resources and in assessing performance. This will therefore require the council to include additional financial information on its activities, analysed by Service.

This analysis will therefore be presented in the same grouping structure as the budget monitoring reports, which match the overall structure of the council.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the council's Members on the basis of budget reports analysed across service cost centres. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made for impairment or revaluation losses in excess of the balance on the Revaluation Reserve whereas these are charged to services in the Comprehensive Income and Expenditure Statement.
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

7.0 NOTES TO THE FINANCIAL STATEMENTS

For 2015/16 the Surplus / Deficit on Continuing Operations reported in the Comprehensive Income and Expenditure Statement can be reported across the services as follows:

2015/16 Income and Expenditure by Portfolio	Community and Partnerships £000	Corporate Management £000	Democratic Services £000	Finance £000	Housing and Customer Services £000	Leisure and Environmental Promotion £000	Planning Services £000	Regulatory Services £000	Technical and Environmental Services £000	Total £000
Fees & charges and other service income	(4)	(14)	(128)	(6)	(864)	(4,213)	(1,573)	(289)	(6,587)	(13,678)
Grants	0	(23)	(24)	(73)	(16,143)	(29)	0	0	(37)	(16,329)
Total Income	(4)	(37)	(152)	(79)	(17,007)	(4,242)	(1,573)	(289)	(6,624)	(30,007)
Employee expenses	9	1,035	128	92	644	1,845	920	460	978	6,111
Other expenses	352	2,144	573	1,444	16,636	1,413	925	299	7,399	31,185
Depreciation	45	361	13	53	556	722	3	2	396	2,151
Support service recharges	(50)	(1,818)	25	(446)	370	1,043	969	400	(493)	0
Total operating expenses	356	1,722	739	1,143	18,206	5,023	2,817	1,161	8,280	39,447
Net cost of services	352	1,685	587	1,064	1,199	781	1,244	872	1,656	9,440

7.0 NOTES TO THE FINANCIAL STATEMENTS

2014/15 Income and Expenditure by Portfolio	Community and Partnerships £000	Corporate Management £000	Finance £000	Democratic Services £000	Housing and Customer Services £000	Leisure and Environmental Promotion £000	Planning Services £000	Technical and Environmental Services £000	Regulatory Services £000	Total £000
Fees and charges and other service income	(11)	(277)	(119)	(81)	(665)	(3,460)	(1,592)	(6,297)	(302)	(12,804)
Government grants	0	(26)	(426)	(39)	(15,414)	(43)	(127)	(36)	0	(16,111)
Total Income	(11)	(303)	(545)	(120)	(16,079)	(3,503)	(1,719)	(6,333)	(302)	(28,915)
Employee expenses	2	1,032	84	110	570	1,943	933	920	569	6,163
Other expenses	365	2,228	1,999	519	15,567	1,679	695	7,133	136	30,321
Support service recharges	(181)	(2,101)	(636)	84	439	1,037	1,054	(161)	465	0
Depreciation	33	107	84	13	400	536	3	437	2	1,615
Total Expenditure	219	1,266	1,531	726	16,976	5,195	2,685	8,329	1,172	38,099
Net expenditure	208	963	986	606	897	1,692	966	1,996	870	9,184

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.25.1 Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

There were no amounts in the Comprehensive Income and Expenditure Statement that were not reported to management in the analysis, and no amounts included in the analysis that were not included in the Comprehensive Income and Expenditure Statement. Therefore the net expenditure total of £9.440m in the service analysis is the same as the Cost of Service in the Comprehensive Income and Expenditure Statement.

7.25.2 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Portfolio Analysis £000	Net Cost of services £000	Corporate amounts £000	Total £000
Fees and charges and other service income	(13,678)	(13,678)	0	(13,678)
Interest and investment income	0	0	(176)	(176)
Income from Council Tax	0	0	(8,190)	(8,190)
Government grants and contributions	(16,329)	(16,329)	(19,678)	(36,007)
Gain on Disposal of non-current assets	0	0	(757)	(757)
Total Income	(30,007)	(30,007)	(28,801)	(58,808)
Employee expenses	6,111	6,111	0	6,111
Other service expenses	31,185	31,185	0	31,185
Depreciation, amortisation and impairment	2,151	2,151	0	2,151
Interest Payments	0	0	812	812
Precepts and levies	0	0	2,374	2,374
Government grants and contributions	0	0	11,643	11,643
Total Expenditure	39,447	39,447	14,829	54,276
Net expenditure	9,440	9,440	(13,972)	(4,532)

7.0 NOTES TO THE FINANCIAL STATEMENTS

2014/15	Portfolio Analysis £000	Net Cost of services £000	Corporate amounts £000	Total £000
Fees and charges and other service income	(12,804)	(12,804)	0	(12,804)
Interest and investment income	0	0	(146)	(146)
Income from Council Tax	0	0	(8,086)	(8,086)
Government grants and contributions	(16,111)	(16,111)	(4,923)	(21,034)
Gain on disposal of non current assets	0	0	(829)	(829)
Total Income	(28,915)	(28,915)	(13,984)	(42,899)
Employee expenses	6,163	6,163	0	6,163
Other service expenses	30,321	30,321	0	30,321
Depreciation, amortisation and impairment	1,615	1,615	0	1,615
Interest Payments	0	0	984	984
Precepts and levies	0	0	2,322	2,322
Payment to housing capital receipt pool	0	0	1	1
Changes in relation to the fair value of investment properties	0	0	9	9
Total Expenditure	38,098	38,098	3,316	41,415
Net expenditure	9,184	9,184	(10,669)	(1,484)

7.26 AGENCY SERVICES

The council provides a number of services on behalf of Hampshire County Council. In 2015/16 the council received £278,284 for providing these services (2014/15 £282,750).

7.27 MEMBERS ALLOWANCES

The council paid the following amounts to members of the council during the year.

2014/15 £000		2015/16 £000
193	Allowances	200
11	Expenses	9
204	Total	209

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.28 OFFICERS' REMUNERATION & TERMINATION BENEFITS

7.28.1 Remuneration

The remuneration paid to the council's senior employees is as follows:

		Salary, Fees & Allowances £	Expenses Allowances £	Pension Contributions £	Total £
Joint Chief Executive	2015/16	93,363	3,451	12,110	108,924
	2014/15	92,439	3,000	12,964	108,403
Joint Chief Executive	2015/16	93,363	3,451	12,068	108,882
	2014/15	92,439	3,000	12,840	108,279
Section 151 Officer*	2015/16	35,350	1,239	4,598	41,187
	2014/15	35,000	496	4,830	40,326
Head of Regulatory Services	2015/16	62,494	1,239	8,022	71,755
	2014/15	59,777	1,239	10,188	71,204
Head of Leisure & Environmental Promotion	2015/16	65,211	3,000	8,556	76,767
	2014/15	65,211	3,000	8,854	77,065
Head of Environmental Maintenance	2015/16	65,211	3,000	8,556	76,767
	2014/15	65,211	3,000	8,854	77,065
Head of Housing	2015/16	65,211	1,239	8,189	74,639
	2014/15	59,777	5,839	8,579	74,194

*The Section 151 Officer post was filled with a 0.4 FTE (full time equivalent).

The council's other employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Number of Employees 2014/15		Number of Employees 2015/16
1	£50,000 to £54,999	2
<u>1</u>		<u>2</u>

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.28.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £s	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	0	2	2	0	2	2	25,506	1,246
Total	0	2	2	0	2	2	25,506	1,246

7.29 EXTERNAL AUDIT COSTS

The council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims provided by the council's external auditors, Ernst & Young.

2014/15 £000		2015/16 £000
71	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	55
17	Fees payable to external auditors for the certification of grant claims and returns for the year	15
4	Fees payable in respect of other services provided by external auditors during the year	0
92	Total	70

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.30 GRANT INCOME

Grants, third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- The council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the revenue grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the revenue grant or contribution are required to be consumed by the recipient as specified, or the future economic benefits or service potential must be returned to the transferor.

Monies advanced as revenue grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000		2015/16 £000
	Credited to Taxation and Non Specific Grant Income	
(1,471)	Revenue Support Grant	(1,115)
(1,826)	Retained Business Rates	(2,240)
(59)	Council Tax Freeze Grant	(59)
(1,270)	Non-ringfenced Government Grants inc. New Homes Bonus	(1,597)
(510)	Capital Grants and Contributions	(3,458)
0	Donated Land	(643)
<u>(5,136)</u>		<u>(9,112)</u>
	Credited to Services	
(634)	Disabled Facilities Grant	(299)
(14,711)	Housing & Council Tax Benefits Subsidy	(15,241)
0	Welfare	(789)
0	Other Grants	(248)
(131)	Other Contributions	(36)
<u>(15,476)</u>		<u>(16,613)</u>

7.0 NOTES TO THE FINANCIAL STATEMENTS

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

2014/15		2015/16
£000		£000
0	Grampion Conditions	16
<u>0</u>		<u>16</u>

7.31 RELATED PARTY TRANSACTIONS

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

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework, within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in the previous note, Grant Income.

Elected Members of the council have direct control over the council's financial and operating policies. Members are required to observe the Code of Conduct for Councillors, register financial interests in the council's register (maintained under section 81(1) of the Local Government Act 2000) and register the receipt of any gifts/hospitality. There were no material receipts of any gift or hospitality to disclose for 2015/16.

As of the date of the Responsible Finance Officer signing the accounts, there were 8 returns from elected members outstanding. From those who had returned their declaration, there were no material related parties to disclose.

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The council had no material related party transactions with officers during 2015/16.

Related party transactions with the precepting bodies and the pension fund are disclosed in the Defined Benefit Pension Scheme note within these accounts.

The council had no significant interest in companies.

Amounts due to or from those parties able to control or influence the council or to be controlled/ influenced by the council are as follows:

7.0 NOTES TO THE FINANCIAL STATEMENTS

2014/15 £000		2015/16 £000
(74)	Amounts due to Central Government	(69)
(109)	Amounts due to Hampshire County Council	(348)
35	Amounts due from Central Government	2,177
275	Amounts due from Hampshire County Council	365

7.32 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases) together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

Revenue Expenditure Funded by Capital under Statute - These amounts represent expenditure on capital grants and other payments which do not result in an asset belonging to the council. Under the government's capital controls this expenditure would be treated as revenue expenditure. These amounts should be written off over a period consistent with the consumption of the economic benefits controlled by the council. As the council does not control the economic benefits arising from this particular expenditure, 100% of the expenditure is written off to revenue in the year it is incurred, leaving no balance at the end of the year.

The expenditure (net of grants received) is written off to the Capital Adjustment Account via the Movement in Reserves Statement.

7.0 NOTES TO THE FINANCIAL STATEMENTS

Re-stated 2014/15 £000		2015/16 £000
108	Opening Capital Financing Requirement	122
	Capital Investment	
1,355	Property, Plant and Equipment	8,007
185	Intangible Assets	0
664	Revenue Expenditure Funded from Capital under Statute	888
	Sources of Finance	
(826)	Capital Receipts	(4,688)
(1,193)	Government grants and other contributions	(3,338)
	Sums set aside from revenue	
(92)	Direct revenue contributions	0
(79)	Minimum Revenue Provision	(89)
122	Closing Capital Financing Requirement	902
	Explanation of movements in year	
(78)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	780
92	Assets acquired under finance leases	0
14	Increase in Capital Financing Requirement	780

7.33 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Embedded leases within contracts - There is a requirement for the council to identify any instances where there are contracts in place to provide a service to the council and consider whether there are any embedded leases within these contracts.

Where such instances are identified the council is required to identify the element of the contractual payments made in respect of these assets and to account for these as a finance lease as above.

7.33.1 Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception (or, if lower, the present value of the minimum lease payments). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are

7.0 NOTES TO THE FINANCIAL STATEMENTS

added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The assets acquired under these leases are carried as Property, Plant and Equipment in the balance sheet at the following net amounts.

31 March 2015 £000		31 March 2016 £000
110	Vehicles, Plant, Furniture and Equipment	54
<u>110</u>		<u>54</u>

The council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the council and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2015 £000		31 March 2016 £000
	Finance lease liabilities (net present value of minimum lease payments):	
62	current	30
79	non-current	8
4	Finance costs payable in future years	2
<u>145</u>		<u>41</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 no contingent rents were payable. Minimum lease payments are included at their present values.

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Not later than one year	62	30	60	29
Later than one year and not later than five years	79	8	36	7
	<u>141</u>	<u>38</u>	<u>96</u>	<u>36</u>

7.0 NOTES TO THE FINANCIAL STATEMENTS

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases and the expenditure is charged to service revenue accounts on a straight-line basis over the term of the lease. The land and buildings elements of a lease require separate identification for both lease classifications and subsequent valuation. In most cases, the land element of a lease will be an operating lease.

The council has not entered into any operating leases to procure any property, plant, vehicles or equipment.

7.33.2 Council as Lessor

Finance Leases

Finance leases – Where the council grants a finance lease over property, plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor, and
- Finance income Credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt.

The council received no material rental income from properties under finance leases.

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The Council owns a number of property, plant and equipment assets that are leased to other bodies for one or a combination of the following purposes:

- To gain rental income from its investment properties
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- To provide leisure facilities for public use.

In 2015/16 the council entered into a lease agreement with Everyone Active to operate its 2 leisure centres. No lease payments were received in 2015/16 but the future minimum lease payments receivable in future years is:

7.0 NOTES TO THE FINANCIAL STATEMENTS

31 March 2015 £000		31 March 2016 £000
0	Not later than one year	(36)
0	Later than one year and not later than five years	(3,582)
0	Later than five years	(9,582)
<u>0</u>		<u>(13,200)</u>

7.34 DEFINED BENEFIT PENSION SCHEME

7.34.1 Participation in pension schemes

Employees of the council are members of the Local Government Pension Scheme, administered by Hampshire County Council (HCC). The Scheme provides defined benefits to pension scheme members (retirement lump sums and pensions) earned as employees worked for the council.

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

- The liabilities of the HCC 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, employees turnover rates etc and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond (gross redemption yield on the iboxx Sterling Corporates Index, AA over 15 years).
- A significant proportion of the assets of the Scheme are invested in equities. The assets of the HCC 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
 - Unitised securities-current bid price
 - Property-market value
- The change in the net pensions liability is analysed into seven components:
 - Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned for the year - allocated in the Comprehensive Income and Expenditure Statement 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - Net interest on the net defined benefit liability/asset i.e. net interest expense for the council – the change during the period in the net defined benefit

7.0 NOTES TO THE FINANCIAL STATEMENTS

liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability - charged to the Pension Reserve as Other Comprehensive Income and Expenditure;
 - actuarial gains and losses - changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure;
- Contributions paid to the HCC pension fund - cash paid as the employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 in accordance with the relevant standards. This means that in the Movement in Reserve Statement there are appropriations to or from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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 decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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

The council participates in the Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit final payment scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. In addition there is an un-funded defined benefit arrangement under which liabilities are recognised when awards are made. There are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions' committee of Hampshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The principal risks to the scheme are the longevity assumptions, statutory or structural changes to the scheme, adverse fluctuations in inflation, bond yields and the performance of the equity investment held by the scheme. These risks are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

7.0 NOTES TO THE FINANCIAL STATEMENTS

Discretionary post-retirement benefits on early retirement are unfunded defined benefit arrangements under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

A revised IAS 19 standard applies for accounting periods beginning on or after 1 January 2013. The main changes are to the profit and loss statement. The new standard applies to the figures for the year to 31 March 2014. This has led to a change in accounting policy, however we do not consider it material and have therefore not re-stated prior years.

The main changes are:

- Removal of the expected return on assets to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.
- Some labelling changes to the Profit and Loss charge; 'Service cost' now includes what was previously described as the 'Current Service Cost' plus the 'Past Service Cost' plus any 'Curtailments' plus any 'Settlements'.
- Administration expenses are now accounted for within the Profit and Loss charge but were previously a deduction to the actual and expected return on assets.

On 23 June the UK voted in a referendum to leave the European Union. At the time of publishing these Accounts, the Fund believes that whilst the change in the value of the assets and assessment of liabilities since the Net Asset Statement date due to movement in financial markets is material, it is not outside the range of movement experienced in the past and it is not possible to attribute how much of this movement is due to the referendum result.

7.34.2 Transactions Relating to Post-employment Benefits

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions whereas, the charge the council is 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 of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

7.0 NOTES TO THE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
Current Service Cost	800	900	0	0
Financing and Investing Income and Expenditure:				
Net interest expense	880	740	100	70
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	1,680	1,640	100	70
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(3,970)	780	0	0
Actuarial (gains) and losses arising on changes in financial assumptions	6,320	(3,130)	120	(50)
Actuarial experience gain	(480)	(860)	(20)	(40)
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	3,550	(1,570)	200	(20)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,680)	(1,640)	(100)	(70)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions to the scheme	814	766		
Retirement benefits payable to pensioners			160	160

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.34.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plans is:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Present value of the defined benefit obligation	68,031	64,850	2,380	2,200
Fair value of plan assets	(44,360)	(43,597)	0	0
Net liability arising from defined benefit obligation	23,671	21,253	2,380	2,200

7.34.4 Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening fair value of scheme assets	39,953	44,218	0	0
Interest income	1,690	1,400	0	0
Remeasurement gain/(loss):				
Return on plan assets, excluding the amount in the net interest expense	3,970	(780)	0	0
Contributions from employer	815	849	160	160
Contributions from employees into the scheme	270	270	0	0
Benefits paid	(2,480)	(2,360)	(160)	(160)
Closing fair value of scheme assets	44,218	43,597	0	0

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.34.5 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening balance at 1 April	60,890	67,890	2,340	2,380
Current service cost	800	900	0	0
Interest cost	2,570	2,140	100	70
Contributions from scheme participants	270	270	0	0
Remeasurement (gains) and losses:				
Actuarial (gains)/losses arising from changes in financial assumptions	6,320	(3,130)	120	(50)
Actuarial experience (gains)/losses calculated on defined benefit obligation	(480)	(860)	(20)	(40)
Benefits paid	(2,480)	(2,360)	(160)	(160)
Closing balance at 31 March	67,890	64,850	2,380	2,200

7.34.6 Local Government Pension Scheme Assets

The fair value of the scheme assets are:

	2015/16 Quoted		2015/16 Unquoted		2015/16 Total	2014/15 Total	
	£000	%	£000	%	£000	£000	%
Cash and cash equivalents	2,049	4.70	0	0.00	2,049	1,636	3.70
Equity investments	23,063	52.90	1,482	3.40	24,545	25,558	57.80
Bonds:							
Corporate	872	2.00	44	0.10	916	707	1.60
Government	11,205	25.70	0	0.00	11,205	11,231	25.40
Property	392	0.90	3,183	7.30	3,575	3,537	8.00
Other* holdings	(87)	(0.20)	1,395	3.20	1,308	1,548	3.50
Total	37,494	86.0	6,104	14.0	43,597	44,218	100

*Other holdings cover hedge funds, currency holdings, asset allocation futures and other financial instruments. The return is in line with that of equities.

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.34.7 Basis for Estimating Assets and Liabilities

Results under IAS 19 can change dramatically depending on market conditions which when taken in conjunction with discount rate volatility will lead to volatility in the funded status of the pension plan and thus to volatility in the net pension liability on the council's Balance Sheet, Other Comprehensive Income and the IAS 19 pension expense in Cost of Services. The council has disclosed information about the sensitivity of the defined benefit to changes in key assumptions in accordance with the requirements of the revised IAS 19.

The benefits valued allow for the forthcoming revised benefit structure of the Local Government Pension Scheme (Transitional Provisions; Savings and Amendment) Regulations 2014 whereby benefits accrued from 31 March 2014 will be based on a career average revalued salary as opposed to final salary.

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumption remained constant. The assumptions in longevity, by way of an example, assume that life expectancy increases or decreases for men and women when in practice this is unlikely to occur and also changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Aon Hewitt Limited, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

	Local Government Pension Scheme	
	2014/15	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- men	24.5	24.6
- women	26.3	26.4
Longevity at 65 for future pensioners:		
- men	26.6	26.7
- women	28.6	28.7
RPI increases	2.9%	2.8%
CPI increases	1.8%	1.7%
Rate of increase in salaries	3.3%	3.2%
Rate of increase in pensions	1.8%	1.7%
Rate of discounting scheme liabilities	3.2%	3.4%

7.0 NOTES TO THE FINANCIAL STATEMENTS

The impact on the Defined Benefit Obligation in the scheme is:

	Increase in Assumption £000	Decrease in Assumption £000
Assumption adjustment:		
Discount rate (scheme liabilities) - increase/decrease by 0.1%	1,040	(1,060)
Salaries - increase/decrease by 0.1%	(130)	130
Pensions - increase/decrease by 0.1%	(930)	920
Longevity - increase/decrease by 1 year*	1,630	(1,620)

**A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them*

7.34.8 Impact on the council's Cash Flows

The objective of the Local Government Pension Scheme is to keep employers' contributions at a rate that is as constant as possible. Hampshire County Council has agreed a strategy with the actuary to achieve a level of 100% over the next few years and the next triennial valuation is due to be completed on 31 March 2017. Funding levels are monitored annually. The council anticipates paying £760,000 in expected contributions to the scheme in 2015/2016.

Benefits accrued up to 31 March 2016 were based on final salary and length of service. Changes to the structure of the LGPS from 1 April 2014 result in benefits accruing from that date being based on a career average salary but with various protections for those members in the scheme prior to the 1 April 2014.

7.35 CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities are not included within the Comprehensive Income and Expenditure Statement or Balance Sheet, but are disclosed by way of a note to the accounts where a receipt or some other economic benefit is probable (contingent asset), or where there is a possible obligation that may require payment or other transfer of economic funds (contingent liability).

In 2015/16 there were no contingent assets or liabilities.

7.36 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

7.36.1 Disclosure and Nature and Extent of Risk arising from Financial Instruments

The council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the council.
- Liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

7.0 NOTES TO THE FINANCIAL STATEMENTS

- Market risk – the possibility the financial loss might arise for the council as a result of changes in such measures as interest rates movements.

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

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

7.36.2 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard and Poor's Rating Services.

The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category.

In summary, the key areas of the Investment Strategy for 2015/16 are that the minimum criteria for investment counterparties include:

- Credit ratings for short term investments of F1, P1, A1 and long term investments of AA-, Aa3, AA with the three main credit rating agencies.
- Money Market Funds with AAA rating.
- A maximum of £5 million to be invested with any single institution, or a banking group.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies of £5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

The table below summarises the nominal value of the council's investment portfolio at 31 March 2016 with each level of counterparty. All investments were made in line with the council's approved credit rating criteria at the time of placing the investment and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

7.0 NOTES TO THE FINANCIAL STATEMENTS

	Amount at 31 March 2016 £000
AA rated counterparties	1,000
AA- rated counterparties	5,010
A+ rated counterparties	2,000
A rated counterparties	5,647
	<u>13,657</u>

The council generally does not allow credit for customers; however, £93k of the council's sundry debt of £1.92m (excluding recovery of benefit overpayments from ongoing entitlement) is more than one year old. The risk that these debts over 1 year old will not be paid is mitigated by a provision for bad and doubtful debts of £93k calculated in accordance with the council's accounting policies.

The provision for impairment of sundry debts (excluding council tax court costs) has decreased by £7k compared to the 2014/15 position. The level of provision was reviewed in light of current economic conditions. The provision is viewed as adequate given the level of arrears that the sundry debt provision is based on and in light of the current aged profile of the debt.

7.36.3 Liquidity risk

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the Money Markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

As the council has no significant short or long term borrowings, there is no material liquidity risk.

A maturity analysis of finance lease payments due is shown in note 7.33.

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

7.36.4 Refinancing and Maturity Risk

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

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

7.0 NOTES TO THE FINANCIAL STATEMENTS

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial assets is as follows:

31 March 2015 £000		31 March 2016 £000
8,000	Less than one year	6,000
<u>8,000</u>		<u>6,000</u>

7.36.5 Market risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council. For instance, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services would rise
- Investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund. Movements in the fair value of any financial assets at profit or loss will also be reflected in the Comprehensive Income and Expenditure Statement - the council did not hold any such investments at 31 March 2016.

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

As at 31 March 2016, there was no material exposure to changes in interest rates as the majority of investment activity was undertaken externally and at a fixed rate of interest. Therefore, had the interest rate been 1% higher (or conversely 1% lower), there would be no material impact on other financial statements with these accounts.

7.0 NOTES TO THE FINANCIAL STATEMENTS

7.37 FURTHER ACCOUNTING POLICIES

In a change to previous years Statement of Accounts, the majority of the accounting policies which the Council adopts have been put before their respective statements and notes to aid the readability and understanding of this document.

However there are a few which cover the accounts as a whole and don't necessarily relate to just one area, these are detailed below.

Accruals of Income and Expenditure – Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.

Exceptional Items - When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts.

Investments - The council accounts for investments in accordance with the Treasury Management Strategy, which is set annually.

The council's investment priorities are:

- the security of capital and
- the liquidity of its investments
- the yield on maturity of the investment

Minimum revenue provision (MRP)

Regulations 27 & 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires the council to make an annual charge to revenue to contribute towards the reduction in its overall borrowing requirement - known as a Minimum Revenue Provision.

The council has adopted the asset life method of calculating MRP where the charge is spread in equal annual instalments over the life of each asset that creates a borrowing requirement. MRP commences in the financial year following either the year in which the expenditure was incurred or the year when the asset becomes operational.

Any interest costs to the Comprehensive Income and Expenditure Statement in relation to finance leases will also be mitigated by a corresponding MRP adjustment.

7.0 NOTES TO THE FINANCIAL STATEMENTS

Overheads

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of CIPFA Service Reporting Code of Practice (SeRCoP) 2015/16. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the councils status as a multi-functional, democratic organisation.
- Non-distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCoP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Revenue recognition - Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. Revenue is recognised when it is probable that future economic benefits will flow to the council and these benefits can be measured reliably.

Accounting standard IAS18 (Revenue) is applied in accounting for revenue arising from the following transactions and events:

- the sale of goods
- the rendering of services
- interest, royalties and dividends.
- non-exchange transactions (i.e. council tax)
- where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria

The amount of revenue arising on a transaction is usually determined by agreement between the council and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the council.

VAT - Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the council is not able to recover VAT on expenditure. HM Revenue & Customs allow Local authorities to recover the majority of VAT incurred.

8.0 COLLECTION FUND

8.0 COLLECTION FUND

The Collection Fund Statement is a record of revenue expenditure and income relating to the council's role as a billing council for council tax and National Non-Domestic Rates (NNDR) in accordance with the requirements of section 89 of the Local Government Finance Act 1988. Its primary purpose is to show the transactions of the billing council in relation to the collection from taxpayers of tax due and distribution of the same to local authorities (including itself) and the Government. Collection Fund Statement items are only included within the Comprehensive Income & Expenditure Account and Balance Sheet when they relate to the council's own entitlements or commitments as distinct from those of Local Government or Central Government partners. Amounts owed to or owing by Taxpayers at the Balance Sheet Date are therefore not shown in the council's Balance Sheet with the exception of the proportion of council tax to which the council itself is entitled.

It also shows how the income is distributed between Hart District Council, Hampshire County Council, Hampshire Police and Crime Commissioner and Hampshire Fire & Rescue.

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). The fund key features relevant to accounting for council tax in the core financial statements are:

- In its capacity as a billing council the council acts as agent; it collects and distributes council tax income on behalf of the major preceptors and itself.
- While the council tax income for the year credited to the Collection Fund is the accrued income for the year regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing council or paid out of the Collection Fund to major preceptors.
- The council tax income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and NNDR Income is in substance an agency arrangement:

- Cash collected by the billing council from council tax and Non-domestic Rate debtors belongs proportionately to the billing council and the major preceptors. There will be therefore a debtor/creditor position between the billing council and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from council taxpayers and non-domestic rate payers.

8.0 COLLECTION FUND

Council Tax 2014/15 £000	Non- Domestic Rates 2014/15 £000	Total Collection Fund 2014/15 £000	Council Tax 2015/16 £000	Non- Domestic Rates 2015/16 £000	Total Collection Fund 2015/16 £000
Amounts required by statute to be credited to the Collection Fund					
(55,883)	N/A	(55,883)	(56,655)	N/A	(56,655)
N/A	402	402	N/A	(536)	(536)
N/A	(28,636)	(28,636)	N/A	(26,726)	(26,726)
(55,883)	(28,234)	(84,117)	(56,655)	(27,262)	(83,917)
Amounts required by statute to be debited to the Collection Fund					
Precepts/demands for council tax and shares of non-domestic rating income					
38,967	2,623	41,590	39,420	2,653	42,073
5,792	N/A	5,792	5,976	N/A	5,976
2,304	291	2,595	2,331	295	2,626
7,952	11,659	19,611	8,106	11,792	19,898
N/A	14,573	14,573	N/A	14,740	14,740
Payment with respect to central government share of NDR (net of allowable deductions)					
Impairment of Debts/Appeals					
86	235	321	0	0	0
(112)	(24)	(136)	241	178	419
N/A	111	111	N/A	197	197
N/A	100	100	N/A	99	99
(894)	1,334	440	(581)	2,692	2,111

Continued on next page

[illegible]

8.0 COLLECTION FUND

8.1 COUNCIL TAX

The average council tax at Band D set by the council was as follows:

2014/15 £		2015/16 £
1,037.88	Hampshire County Council	1,037.88
154.26	Hampshire Police and Crime Commissioner	157.33
61.38	Hampshire Fire and Rescue Service	61.38
151.84	Hart District Council	151.84
59.96	Town and Parish Councils	61.58
<u>1,465.32</u>		<u>1,470.01</u>

The amount of income generated in 2015/16 by each council tax band was as follows:

Band	Chargeable Dwellings	Band Multiplier	Band D Equivalent	Council Tax Income per band £
A	621	6/9	264.00	393,797
B	1,822	7/9	943.17	1,406,886
C	7,919	8/9	5,493.24	8,194,029
D	8,293	9/9	7,354.92	10,971,017
E	7,420	11/9	8,368.03	12,482,229
F	6,508	13/9	8,988.92	13,408,384
G	3,584	15/9	5,747.62	8,573,477
H	222	18/9	427.00	636,937
			37,586.90	
Class O Exempt Properties			704.30	
Plus allowance for new properties and ending of discounts 0.5%			191.46	
Less allowance for properties being demolished and additional discounts 0.01%			(3.83)	
Assumed losses on collection 1.3%			(497.79)	
Tax Base (equivalent Band D)			37,981.04	

The 2015/16 tax base approved by council was 37,981.04. This figure was arrived at after allowing for contributions in lieu of council tax and provisions for bad debts.

8.0 COLLECTION FUND

8.2 INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

The council collects non-domestic rates for its area based on local rateable values multiplied by a uniform national rating multiplier.

The total NNDR Rateable Value as at 31 March 2016 was £73,835,739 (£71,759,980 as at 31 March 2015)

The non-domestic rate multiplier for 2015/16 was 48.40 pence for qualifying properties of less than £18,000 rateable value and 49.30 pence for all others (2014/15 47.10 pence and 48.20 pence respectively).

9.0 GROUP ACCOUNTS

9.0 GROUP ACCOUNTS

Under the terms of IFRS3 where the council has an interest in any other entity, it is required to prepare a Group Income and Expenditure Account and Group Balance Sheet. The council holds no interest in any other entity and therefore no group accounts have been produced.

Where either the council, or its Elected Members or Senior Officers are connected with any other entity that it transacts any business with, it is required to disclose these as related party interests. These are shown in the Related Party Transactions note of these accounts.

10.0 GLOSSARY

Accounts

A generic term for statements setting out details of income and expenditure or assets and liabilities or both in a structured manner. Accounts may be categorised by the type of transactions they record e.g. revenue accounts, capital accounts or by the purpose they serve e.g. management accounts, final accounts, balance sheets.

Accounting policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (a) recognising
- (b) selecting measurement bases for, and
- (c) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accounting standards

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practices. These standards make comparability, among other things, possible.

Accrual

The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.

Actuarial gains and losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- (b) the actuarial assumptions have changed.

Amortisation

The reducing of the value of assets to reflect their reduced worth over time. The term means the same as depreciation, though in practice amortisation tends to be used for the write-off of intangible assets.

Assets

These can either be:

- Long term (non-current), tangible assets that give benefits to the authority for more than one year.
- Property, Plant and Equipment, assets which are held for use in the production or supply of goods and services, for rental to other, or for administrative purposes.
- Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation, or both.

10.0 GLOSSARY

- Intangible assets, these are usually stand-alone intellectual property rights such as software licences that, although they have no physical substance are right to show on the balance sheet where they have been capitalised as being of benefit for more than the year of account. Where software is integral to the running of hardware it is properly included in the value of the hardware.

Audit – internal

The council has an internal audit service, they have a wide ranging role and are responsible for auditing key financial systems and all other activities of the council on a rolling programme. They make recommendations to improve internal controls, safeguard assets and secure value for money.

Audit – external

Our external auditor is Ernst & Young. They report to the council on a number of issues, but in this context they provide assurance to the council that this statement of accounts 'presents fairly' the council's financial affairs and position.

Balance sheet

A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

Budget

A forecast of the council's planned expenditure. The level of council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.

Cabinet

The Cabinet is the executive board responsible for undertaking all of the council's functions, except those functions which are reserved to the full council or delegated to committees or officers. When the executive councillors meet collectively they are known as the cabinet.

Capital Adjustment Account

This account includes the amalgamated balances of the Property, Plant & Equipment Restatement Account and the Capital Financing Account at 31 March 2007 and holds financing transactions relating to capital expenditure.

Capital charges

Charges made to service expenditure accounts based on the service's use of property, plant and equipment assets (depreciation and impairment) plus credits relating to government grants and capital contributions used to pay for those assets.

Capital expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment assets, Revenue Expenditure Financed by Capital under Statute (REFCUS), advances (loans) or grants to other individuals/organisations.

Capital receipts

Income received from the sale of property, plant and equipment assets.

Central services to the public

This includes the costs of local tax collection, elections, emergency planning, local land charges and any general grants.

CIPFA

CIPFA is the Chartered Institute of Public Finance and Accountancy, which is the leading professional accountancy body for public services.

10.0 GLOSSARY

Code of Practice on Local Authority Accounting in the United Kingdom

Issued by CIPFA, this is the guidance which is followed when preparing these statements. It provides expert support in dealing practically with the preparation of the year-end accounts and is the guidance by which every local authority must follow.

Collection fund

The fund into which are paid amounts of council tax and non-domestic rates and from which are met demands by county and district councils and payments to the national non-domestic rates pool.

Community assets

Community assets are a class of property, plant and equipment assets which are expected to be held by the council in perpetuity. Examples include parks, historic buildings and works of art.

Corporate and democratic core

Comprises all activities which local authorities engage in because they are elected, multi purpose authorities. It includes the costs of the Head of the Paid Service, costs of treasury management and bank charges and the costs of democratic representation.

Council tax

A local tax set by councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, for some people with disabilities and some other special cases.

Current service cost (pensions)

The increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

Current Value

The amount at which would be paid for the asset in its existing use.

Deferred credits

Income still to be received (or applied in the accounts) where deferred payments (or application) have been allowed. For example the principal outstanding from the sale of former council houses (deferred capital receipts).

Defined benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

Depreciation is the measure of the consumption or wearing out of the useful economic life of a property, plant and equipment asset.

Events after the balance sheet date

Those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Fair value

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

10.0 GLOSSARY

Finance lease

A lease that transfers substantially all of the risks and rewards of ownership of a property, plant and equipment asset to the lessee.

General fund (GF)

This is the primary revenue account which records the cost of providing the majority of the council's services.

Housing benefit

The housing benefit scheme is a national scheme administered at a local level by the council. It is a means-tested service where the council can pay all, or part of, a household's rent or council tax, or both.

Housing benefit subsidy

The government reimburses the Council for up to 90% of the housing benefit payments made to residents plus an allowance to cover the costs of administering the scheme.

International Accounting Standard 19 – Employee Benefits

This Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

Impairment

A reduction in the value of a property, plant and equipment asset below its carrying amount on the balance sheet.

International financial reporting standards (IFRS)

From the 2010/11 financial year the council had to implement new accounting regulations called IFRS. This resulted in a significant change to the way that budgets and accounts are prepared with different accounting treatment being applied to asset valuations, leases, some accruals and derivatives.

Lease

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

Liabilities

Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

Minimum revenue provision (MRP)

The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes.

National non-domestic rates (NNDR)

The form of local taxation charged on non residential premises at a level set by central government.

Net book value

The amount at which property, plant and equipment assets are included in the balance sheet i.e. their historical cost or fair value less the cumulative amounts provided for depreciation and impairment.

10.0 GLOSSARY

Net service expenditure

Comprises of all expenditure less all income, other than income from council tax and revenue support grant, in respect of a particular service.

Non-distributed costs

Overheads for which no user now benefits and should not be apportioned to services. Costs generally included under this heading are those arising from early retirement payments to the pension fund.

Operating lease

A lease agreement in which substantially all of the risks and rewards of ownership of a property, plant and equipment asset remain with the lessor.

Outturn

The final total expenditure and income amount in any financial year.

Past service cost

The increase in the present value of the pension scheme liabilities, related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept

The charge made by another authority on the council to finance its net expenditure. The council currently has the following precepting authorities: Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and all the city, town and parish councils in the district.

Prior period adjustments

The adjustments applicable to prior years arising from the correction of material errors.

Provisions

Amounts set aside for liabilities of uncertain timing or amount that have been incurred.

Related parties

This is defined under Financial Reporting Standard 8. The council is required to disclose material transactions with related parties, which can include central government, subsidiary and associated companies, the Pension Fund, other councils, and chief and senior officers. IAS24 requires attention to be drawn to the possibility that the reported financial position may have been affected by the existence of related parties and by material transactions with them. Two or more parties are related parties when at any time during the financial period:

- (a) one party has direct or indirect control of the other; or
- (b) the parties are subject to common control from the same source; or
- (c) one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- d) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash (excludes employer pension contributions).

10.0 GLOSSARY

Reserves

The general capital and revenue balances of the council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside or surpluses or delayed expenditure can be spent or earmarked at the discretion of the council (e.g. General Fund and Housing Revenue Account General Reserves). The capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the capital adjustment account.

Revaluation reserve

This account includes transactions relating to the revaluation and impairment of the councils assets.

Revenue expenditure

Day to day expenditure incurred in the provision of services including salaries and wages, transport and goods and services.

Revenue Expenditure Financed by Capital under Statute (REFCUS)

A type of capital expenditure which may be deferred but which does not give rise to tangible assets. Examples are renovation grants (grants to private individuals and companies to improve housing standards) and capital grants to other organisations.

Revenue support grant

A grant paid by the government in support of the council's revenue expenditure, as part of the Formula Grant.

Section 151 Officer

Another term to describe the Statutory Financial Advisor of the council with responsibilities as set out in the Statement of Responsibilities for the Statement of Accounts.

Service Reporting Code of Practice SERCoP

CIPFA's Service Reporting Code of Practice, which provides guidance on financial reporting to stakeholders and establishes 'proper practice' with regard to consistent financial reporting below the Statement of Accounts level.

11.0 INDEPENDENT AUDITOR'S REPORT

11.0 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HART DISTRICT COUNCIL

Opinion on the Hart District Council's financial statements

We have audited the financial statements of Hart District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund, and
- related notes 1 to 9.0.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Hart District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of the Responsibilities set out on page 6, the Responsible Financial Officer is responsible for the preparation of the Council's Statement of Accounts 2015/16, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council; and the circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

11.0 INDEPENDENT AUDITOR'S REPORT

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hart District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Hart District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

11.0 INDEPENDENT AUDITOR'S REPORT

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Hart District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Hart District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Hart District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Hart District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Hart District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Andrew Brittain (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Reading

28 September 2016

