



STATEMENT OF ACCOUNTS FOR 2002/03

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EXPLANATORY FOREWORD

1. Introduction

This foreword provides a brief explanation of the Council's Statement of Accounts for 2002/03 which are set out on pages 15 to 36 of this document and supported by the Statement of Responsibilities (page 8), the Statement on the System of Internal Financial Control (pages 9 and 10) and the Statement of Accounting Policies (pages 11 to 14).

2. Consolidated Revenue Account

This account covers operating income and expenditure on General Fund services. It shows how the net cost of all the Council's revenue activities has been financed from government grants and income from local taxpayers.

The Consolidated Revenue Account, together with accompanying notes, is set out on pages 15 to 21.

Further details of the cost of services provided by the Council and the income collected to pay for the services are shown graphically on page 6.

3. Collection Fund

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

Details can be found on pages 22 to 23.

4. Consolidated Balance Sheet

This statement sets out the overall financial position of the Council as at 31 March 2003 and incorporates the value of all assets and liabilities at the year end.

The Consolidated Balance Sheet is set out on page 24 and is supported by notes on pages 25 to 29 and the Statements of Movements in Capital and Revenue Reserves on pages 30 to 32.

5. Cash Flow Statement

All revenue and capital activities are included in this statement which shows cash flows between the Council and third parties. Details can be found on pages 33 and 34.

6. Capital Expenditure

The Council has approved an interim capital programme with projected spending of £7.0 million in 2003/04. Included in the programme are a variety of projects and schemes, such as the construction and improvement of leisure facilities,

grants to parish councils and voluntary organisations, social housing schemes, home improvement grants, recycling initiatives, drainage schemes and economic development projects.

Details of spending on capital projects in 2002/03 can be found on pages 35 and 36.

7. Accounting Policies

The accounting policies which support the accounts are set out on pages 11 to 14. There have been no material changes to accounting policies in 2002/03.

8. Financial Performance

There are three main areas to report on –

General Fund - the operating costs and income on General Fund services are set out in the Consolidated Revenue Account on page 15 and a graphical presentation is shown on page 6. The General Fund summary shows a surplus for the year of £77k compared to the deficit of £89k forecast in the budget (2002/03 original estimate).

The underspend of £166k resulted from a large number of variances between original budget and outturn, the most significant of which were increased investment income of £102k, and exceptional 'one-off' items relating to the sale of the trade waste facility to an external contractor (£116k) and redundancy costs of £111k.

Council Tax collection - the collection rate for Council Tax in 2002/03 was 99.4%, the highest since inception, against 98.9% for the previous year. The Collection Fund achieved a net surplus of £541k in 2002/03.

Capital expenditure - details of how much the Council spent on capital projects and how it was financed are set out on pages 35 and 36. The capital programme provided for expenditure of approximately £6.5m in 2002/03, but actual spending in the year was lower at £5.7m.

9. Funding of future capital expenditure

The Council had funds and reserves of £10.6m at the 31 March 2003 to finance capital expenditure, made up mainly of useable capital receipts (£3.7m) and surplus provision for credit liabilities (£5.9m) created following the redemption of external debt. Further details of these reserves can be found in the Statement of Movements in Capital Reserves on pages 30 and 31.

Due to proposed changes in Government funding arrangements, particularly regarding Local Authority Social Housing Grant, future capital resources will be limited to developers' contributions, miscellaneous capital receipts from the sale of assets and specific Government grants. In the short term, borrowing approvals and revenue contributions are unlikely.

However, projected future capital resources, together with the capital resources that the Council has in its possession at 31 March 2003, will enable the Council to finance its current approved Capital Programme.

10. Planned future developments in service delivery

The Council's approved interim Capital Programme will be the subject of further review during 2003/04. The primary objective of the review will be to establish a Capital Programme for the 6-year period 2003/04 to 2008/09. The review will need to take into account the implications of the Government's proposed 'Prudential Code' covering future borrowing requirements and other treasury management matters, details of which are included in the Local Government Bill currently before Parliament

With regard to revenue plans, the Council's main priorities are to maintain existing standards of service wherever possible as set out in the Council's Corporate Plan. Services, however, will remain under pressure as the Council seeks to contain any rises in Council Tax within the current rate of inflation as envisaged in the Council's Medium Term Financial Strategy. Both documents can be viewed on the Council's website (www.hart.gov.uk).

11. Borrowing

The Council achieved debt free status when it repaid all its outstanding external debt in 1994/95. It currently has no plans to incur any new borrowing pending approval of the 6-year Capital Programme referred to above.

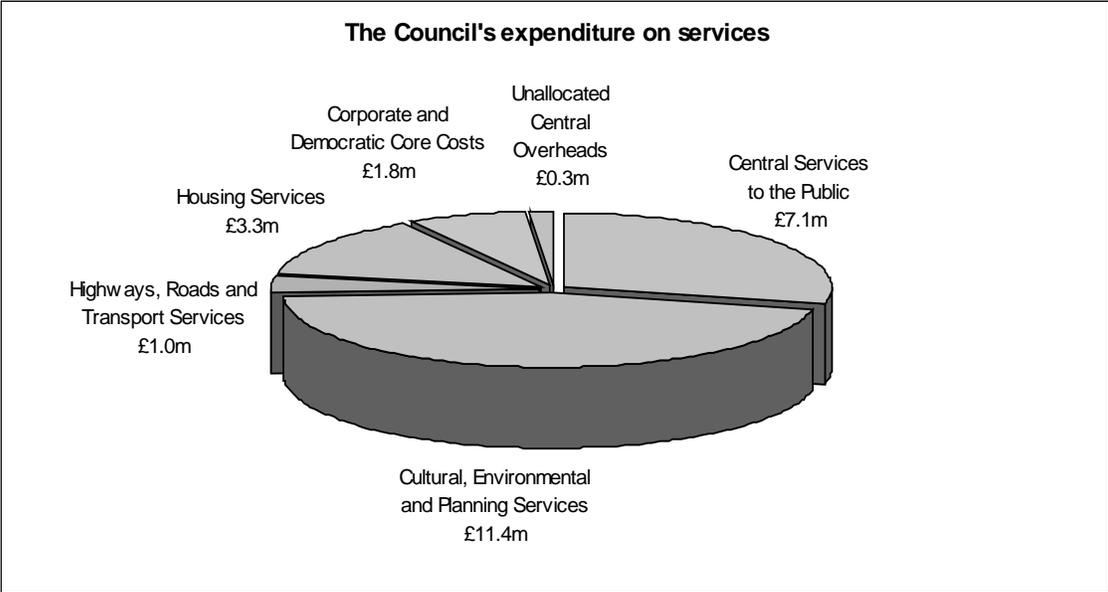
12. Issues related to the Euro

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

13. The Council's Expenditure on Services

In 2002/03 the Council spent £22.7m providing services to the residents and business organisations living or operating within the district. A brief explanation of the main services provided together with a more detailed analysis of expenditure (and income) can be found in the Consolidated Revenue Account on pages 15 to 21. A broad analysis of the £22.7m is shown below –

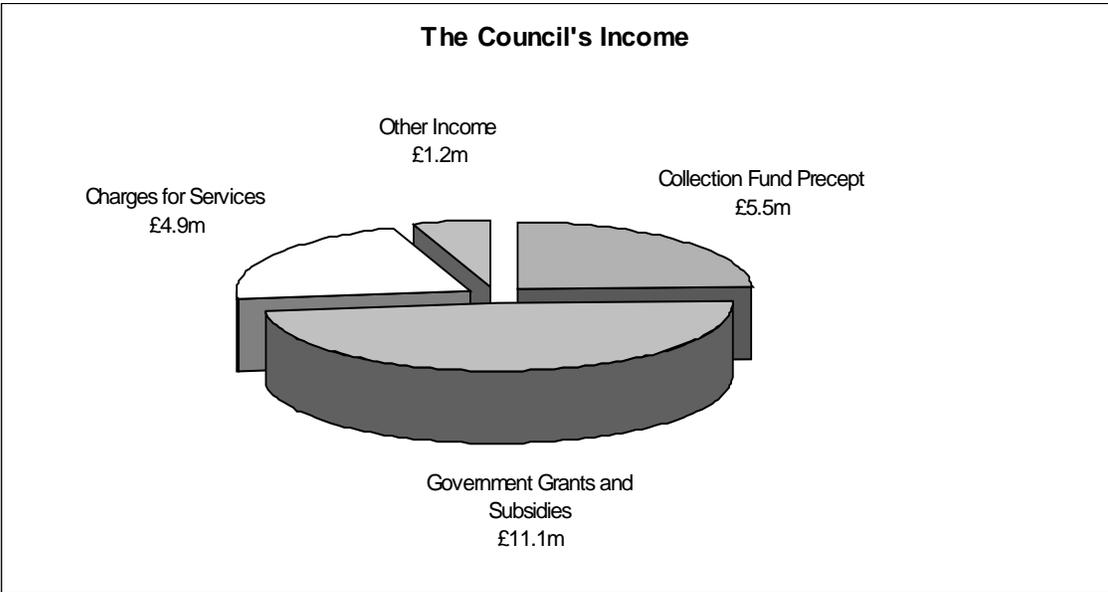
	£m
Central Services to the Public	7.1
Cultural, Environmental and Planning Services.....	11.4
Highways, Roads and Transport Services	1.0
Housing Services	3.3
Corporate Democratic Core	1.8
Unallocated Central Overheads	0.3
	24.9
Less accounting for capital	2.2
	22.7



14. The Council's Income

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

	£m
Collection Fund precept	5.5
Government grants and subsidies	11.1
Charges for services	4.9
Other income	1.2
	22.7



15. Pension Costs

The Council participates in Hampshire County Council's Pension Fund. In common with many other funds, the deficit on the Pension Fund increased during the year. The Council's share of the Pension Fund deficit increased from £4.2 million to £11.3 million at 31 March 2003. This represents some 30% of the Council's total equity.

Funding levels fell from 88% to 75%. In order to meet the Council's liabilities in full, increased contributions have been agreed for future years. The Council's current contribution of 205% of employees' contributions will increase to 215% in 2003/04 and 225% in 2004/05 when the next triennial valuation of the Pension Fund will take place. It is currently estimated that, arising from valuation, the Council's contribution may have to increase further in 2005/06, possibly up to 300%, in order to secure a fully funded position.

Further information on pension costs is contained in Note 15 on page 14 and Note 9 on page 18.

16. Further Information

Further information about the Statement of Accounts can be obtained from the Head of Finance, Civic Offices, Harlington Way, Fleet, Hampshire, GU51 4AE (tel.no.: 01252 774453 or email: ds@hart.gov.uk)



David Skelton, Head of Finance
24 September 2003

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority, in accordance with the Accounts and Audit Regulations 2003, is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Finance
- to manage its affairs to secure economic, efficient and effective use of resources and the safeguarding of its assets
- to ensure the Statement of Accounts is approved prior to 30 September and signed by the Chairman of the relevant body. In this Authority, the relevant body is the Staff and General Purposes Committee to whom Council has delegated the appropriate authority

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2003.

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice on Local Authority Accounting

The Head of Finance has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities further details of which are set out in the following Statement on the System of Internal Financial Control (pages 9 and 10)



David Skelton, Head of Finance



Roger Jones, Chairman of Staff and General Purposes Committee

Date: 24 September 2003

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the Statement of Accounts for Hart District Council for the year ended 31 March 2003. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including appropriate segregation of duties) and management supervision.
4. The Council operates a system of devolved financial management with nominated Cost Centre Managers accountable to the Head of Finance through the relevant Business Unit Head as set out in the Council's Financial Regulations. Development and maintenance of the system is undertaken by the Accountancy Section within the Finance Unit. In particular, the system includes:
 - (a) comprehensive budgeting systems;
 - (b) regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
 - (c) setting targets to measure financial and other performance;
 - (d) the preparation of regular financial reports which indicate actual expenditure against the forecasts;
 - (e) clearly-defined capital expenditure guidelines; and
 - (f) formal project management disciplines where appropriate.
5. Internal Audit prepares a five year strategic and annual audit plan, informed by an analysis of the risks to which the Council is exposed. The annual audit plan is considered by me, insofar as it relates to my duties and responsibilities under Section 151 of the Local Government Act 1972, prior to its approval by the Staff and General Purposes Committee which, inter alia, acts as the Council's Audit Committee.
6. Internal Audit has no operational responsibilities and maintains professional independence, objectivity, integrity and confidentiality. In particular, the Audit Manager reports directly to the Chief Executive rather than the Head of Finance. All work is performed in accordance with professional standards recommended by the Chartered Institute of Public Finance and Accountancy and in compliance with the internal audit procedures as set out in the Council's Financial Regulations. All working papers and draft reports are independently reviewed by the Audit manager prior to issuing to auditees as a means of ensuring quality control. In addition, all audit staff undertake planned personal development plans to ensure that the necessary skills are kept up to date and reflect best practice.

7. The Audit Manager provides regular reports to management and the Staff and General Purposes Committee on internal audit activity within the Council. An annual report is submitted by the Audit Manager to the Committee summarising that activity and providing an independent opinion as to the adequacy of the Council's systems of internal financial controls. Reporting arrangements include progress in implementation of audit recommendations. There is an escalation policy in place to ensure that appropriate action is taken on all recommendations assessed as 'high risk'.
8. My review of the effectiveness of the system of internal financial control is informed by:
 - (a) the work of managers within the Council;
 - (b) the work of the internal auditors as described above; and
 - (c) the external auditors in the Annual Audit letter and other reports.



David Skelton, Head of Finance

Date: 24 September 2003

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting, the Best Value Accounting Code of Practice and guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of those Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs) relevant to local authorities. Any significant non-compliance is disclosed below.

2. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised provided that the fixed asset yields benefits to the authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance which is charged direct to service revenue accounts. Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Fixed assets are classified into the groupings required by the Code of Practice. Assets are valued on the following bases:

- Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- Non-operational assets, including assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- Infrastructure assets have been valued, using as a base, the amount of debt brought forward on 1 April 1994 that related to those assets.
- Community assets are included in the balance sheet at a nominal value of £1 per asset to allow an entry to be made in the register of assets and to enhance control.

The surplus that arose on the initial revaluation of fixed assets was credited to the Fixed Asset Restatement Reserve. Subsequent revaluations are planned on a rolling basis to ensure all assets are revalued within a five year period, although material changes to asset valuations will be adjusted as they occur.

3. Depreciation

The policy for depreciating fixed assets is as follows –

Buildings	All buildings are depreciated on a straight line basis over their estimated lifespan.
Other Assets	Where depreciation is charged, it is calculated using a straight line method, with equal instalments of depreciation being charged to revenue for each year of the assets' lives. Although depreciation is charged on the estimated life of the specific individual assets concerned, approximation of average depreciation periods are as follows –

Vehicles: 3 years	Furniture: 15 years
IT equipment: 3 years	CCTV: 7 years

Newly acquired assets are depreciated from 1 April of the following financial year.

4. Charges to Revenue for Fixed Assets

General fund service revenue accounts, central support services and statutory trading accounts are charged with capital charges for the fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge is determined on the basis of capital employed in each service.

Provision for depreciation is charged to the Asset Management Revenue Account which is credited with the capital charges charged to services. The surplus on the account is transferred to the Consolidated Revenue Account at the year end to ensure that capital charges have a neutral impact on the amounts required from local taxation.

5. Deferred Charges

Deferred charges are payments of a capital nature where no fixed assets are created that directly benefit the Authority, but which may be properly capitalised. An example is the awarding of grants to private householders where properties lack basic amenities. In line with the advice of CIPFA's Capital Accounting Working Group, most deferred charges are written out to revenue accounts in the year the expenditure is incurred.

6. Leasing

The Council acquires the use of a variety of vehicles, plant and equipment by means of operating leases. These assets do not appear in the Balance Sheet as the Council does not own them. The revenue accounts are charged with the annual rentals as and when they become due.

The Council has not acquired any assets by means of finance leases for some years. Those assets that the Council still has in its possession are now in secondary leasing periods. As a result their residual value is minimal, so their valuation has been excluded from fixed assets.

7. Government grants and contributions

Government grants and other contributions are accounted for on an accruals basis (see paragraph 10 below) and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

8. Capital Receipts

Income from the disposal of fixed assets is accounted for on an accruals basis (see paragraph 10 below). In accordance with Government regulations, capital receipts from the disposal of land, buildings and vehicles are apportioned between usable capital receipts and those which are set aside for the repayment of debt forming part of the capital financing reserve. As a debt free authority, the only receipts which the Council has to set aside is the grant received from the Housing Corporation to fund advances to housing associations. All capital receipts, whether usable or set aside, are invested until such time as they are needed to finance new capital expenditure.

9. Stocks and Stores

Stocks are valued in the accounts on the lower of historic cost and net realisable value.

10. Debtors and Creditors

All the accounts (revenue and capital) of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice on Local Authority Accounting and FRS18. This means that sums due to or from the Council during the financial year are included whether or not the cash has actually been received or paid in the year.

There are some exceptions to this principle -

- a) weekly paid and four weekly paid employees are charged relative to the tax year in which payment is made.
- b) quarterly payments for electricity, gas and telephone accounts are charged at the date of meter reading rather than being apportioned between financial years.
- c) income for pre-booked courses at leisure centres tends to be credited to the year of receipt, rather than the year in which the course took place.

The above exceptions are consistently applied each year and therefore do not have a material effect on the year's revenue accounts.

11. Support Services and Corporate Costs

Support services were fully allocated to services in 2002/03. Corporate and democratic core costs were not allocated to services in 2002/03 in accordance with the guidance of CIPFA.

12. Reserves

The Council maintains reserves to meet general rather than specific future expenditure. The reserves the Council maintains are analysed in detail in the Statements of Movements in Capital and Revenue Reserves which can be found on pages 30 to 32.

13. Investments

Investments are shown in the balance sheet at cost with the exception of investments held by fund managers which are shown at cost plus accrued income. The investment values included in the Consolidated Balance Sheet are shown on page 24.

14. Investment Interest

Investment income is calculated on the following basis - for funds managed directly by the Council, income is the interest accrued to the Authority in that year ; for funds managed by fund managers, income is the interest accrued in that year plus the difference between cost and market value of investments held at 31 March 2003.

15. Pensions

To provide for their future pensions and benefits, employees pay a percentage of their pay into the County Council's Pension Fund (salaried staff 6% and manual workers 5%). In addition, the

Council made contributions equivalent to 205% of the employee contributions into the Fund in 2002/03.

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

These costs have been determined on the basis of contribution rates that are set to meet less than 100% of the liabilities of the Pension Fund. As a result the Council does not comply with the accounting requirements of FRS 17 and the liabilities included in the balance sheet are understated in respect of pension costs. The Fund's actuary has advised that the additional pension costs that it would have been necessary to provide for in the year to comply with FRS 17 are £753,074, representing 17.3% of pensionable pay. In addition, the Council pays for all added years benefits which have been awarded and related increases. In 2002/03 these were £144,528, representing 3.3% of pensionable pay.

Further details are set out in the Note 9 of the Notes to the Consolidated Revenue Account on page 18.

CONSOLIDATED REVENUE ACCOUNT

2001/02 Net Expenditure £000		2002/03 Gross Expenditure £000	2002/03 Income £000	2002/03 Net Expenditure £000
1,359	Central Services to the Public	7,136	(6,586)	550
6,952	Cultural, Environmental & Planning Services	11,346	(3,672)	7,674
174	Highways, Roads and Transport Services	952	(828)	124
1,203	Housing Services	3,339	(1,687)	1,652
1,699	Corporate and Democratic Core	1,815	(4)	1,811
181	Unallocated Central Overheads	316	0	316
11,568	Net Cost of Services	24,904	(12,777)	12,127
943	Parish Precepts			998
(1,571)	Transfer from Asset Management Revenue A/c			(1,590)
(710)	Interest and Investment Income			(703)
3	Increase/(Decrease) in Provision for Bad Debts			(7)
(40)	Sale of Trade Waste Facility			(136)
0	Vat Refunds			(16)
10,193	Net Operating Expenditure			10,673
	APPROPRIATIONS			
	Contributions (from)/to Reserves			
(119)	- Open Spaces Maintenance			(96)
0	- Outdoor Sports Maintenance			(31)
(26)	- On-Street Parking Account			(14)
58	Contribution to Capital Financing Reserve			58
(1,015)	Transfer of Surplus Minimum Revenue Provision			(1,066)
(532)	Deferred Charges Written Off			(308)
8,559	Amount met from Government Grants and Local Taxpayers			9,216
(4,540)	Collection Fund Precept			(5,532)
(35)	Contribution to/(from) Collection Fund (Council Tax)			(87)
(3,325)	Distribution from Non Domestic Rate Pool			(3,674)
659	(Surplus)deficit for the Year			(77)
(2,015)	General Fund Balance at 1 April 2002			(1,356)
659	(Surplus)Deficit for the Year			(77)
(1,356)	General Fund Balance at 31 March 2003			(1,433)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Description of Services

Service expenditure has been analysed under new headings in line with the CIPFA Best Value Accounting Code of Practice.

Central Services to the Public

Services included here comprise the cost of local Council Tax and Business Rate collection, elections, local land charges and emergency planning.

Cultural, environmental and planning services

Cultural Services includes the costs of leisure and community centres, open spaces, tourism, playing fields and playschemes.

Environmental Services includes the costs of environmental health, waste collection, community safety, land drainage, environmental improvement schemes, CCTV and cemeteries.

Planning Services includes planning policy, building control, development control and economic development.

Highways, roads and transport services

The Council provides car parks and street furniture and participates in the countywide concessionary travel scheme. It also has agency responsibilities for highways with Hampshire County Council.

Housing services

The Council delivers a strategic housing service which incorporates the provision of housing advice, homelessness and housing register service, the funding of new affordable housing by housing associations, liaison with other statutory and voluntary agencies and the promotion of the Council's overall housing objectives.

The costs associated with administering housing benefit payments together with the net cost of the benefits is also included under this heading.

This heading also includes the cost of welfare services such as meals on wheels and the Careline service.

Corporate and Democratic Core

This heading includes the cost of corporate management, members expenses, public accountability, representing local interests, committee servicing, external audit and treasury management. In accordance with the Code, these are not allocated to services.

Unallocated Central Overheads

This heading mainly comprises cost of back-funding pensions and early retirement. These are not allocated to services as the cost relates to previous years.

2. Agency Services

The Council has agency responsibilities for some highway matters with Hampshire County Council. Expenditure in 2002/03 was £55,340 which is reimbursed by Hampshire County Council.

3. Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended by Section 36 of the Local Government and Housing Act 1989) enables the Council to spend up to £1.90 per head of resident population (£158,825 in 2002/03) for the benefit of people in the area on activities or projects not specifically authorised by other powers. The amount actually spent in 2002/03 was £159,955 (grants and loans to local voluntary organisations).

4. Asset Management Revenue Account

This account is central to the implementation of the capital accounting requirements of the Accounting Code of Practice on Local Authority Accounting.

The Consolidated Revenue Account gross expenditure includes capital charges which reflect the effective cost to the Council of acquiring, retaining and using its present assets in the delivery of services. This normally exceeds the real cost to the authority of depreciation on those assets. As the Council has paid off its external debt it does not have any external interest cost for its assets. The Asset Management Revenue Account surplus represents the difference between the full economic cost and the real cost of depreciation of assets.

The surplus on the account is transferred to the Consolidated Revenue Account so that the inclusion of capital charges in gross expenditure does not impact on the financing requirement from local taxation.

The Asset Management Revenue Account is maintained separately within the Council's accounting system and the transactions in the account for 2002/03 are as follows –

	£000
Capital charges included in cost of services	(2,597)
Release of deferred grant	(58)
	(2,655)
Provision for depreciation	1,065
Surplus transferred to Consolidated Revenue Account	(1,590)

5. Operating Leases

There are outstanding commitments of £453,420 in respect of operating leases on seven refuse vehicles and two mechanical sweepers. The annual instalments payable are –

2003/04...£193,170 2004/05...£202,170 2005/06...£58,080

During 2002/03, the Council also acquired four vans on annual renewable leases. The cost per annum of these is £15,800.

6. Publicity

The Council spent £207,900 on advertising and publicity in 2002/03. This is included within the service expenditure shown on page 15 and was spent in the following ways:

Recruitment advertising.....	£48,500
Other advertising and promotions.....	£159,400

7. Remuneration

The Council is required to disclose the number of employees whose remuneration in 2002/03 fell in each bracket of a scale in multiples of £10,000, starting with £50,000 –

£50,000 - £60,000	4
£60,000 - £70,000	1
£70,000 - £80,000	1

8. Related Party Transactions

The intention of FRS8 (Related Party Transactions) is to bring to the attention of users of the Statement of Accounts any relationships that might materially prevent the Authority from reporting its interests independently and the possibility that the reported financial position and results may have been affected by the existence or related parties and by material transactions.

No related party transactions involving officers or members have occurred in 2002/03.

9. Pensions

In 2002/03 the Council paid an employer's contribution of £534,781, representing 12.3% of pensionable pay, into the Pension Fund administered by Hampshire County Council, which provides members with defined benefits based upon pay and service.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The employers' contribution rate payable in 2002/03 was

based on the valuation as at 31 March 2001, when the actuary recommended an employers' rate of 205% of employees' contributions. The actuary has since carried out a valuation as at 31 March 2002, the results of which have been applied from 1 April 2002. Statutory Instrument 1997/1612 Regulation 78 (3)(b) permits the amendment of contribution rates between valuations should it become necessary. In the review as at 31 March 2001, the actuary has calculated that to make the Fund 100% solvent will require increasing contributions by the Council until 2004/05 and deficit contributions at that level for a further 10 years. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The contribution rates certified for Hart District Council at the 31 March 2001 valuation were as follows:

April 2002 to March 2003	205% of members' contributions
April 2003 to March 2004	215% of members' contributions
April 2004 to March 2005	225% of members' contributions

These figures include the past service element of the contribution rate.

The main assumptions used for the purposes of FRS 17 are as follows:

	31 March 2003	31 March 2002
Discount rate	6.1% pa	6.3% pa
Rate of increase in salaries	4.1% pa	4.3% pa
Rate of increase in pensions in payment	2.6% pa	2.8% pa
Rate of increase in deferred pensions	2.6% pa	2.8% pa
Rate of inflation	2.6% pa	2.8% pa
Long-term expected rates of return on:		
Equities	7.6% pa	8.2% pa
Bonds	4.6% pa	5.2% pa
Property	6.6% pa	7.2% pa
Other assets	3.1% pa	3.7% pa
Average long term expected rate of return	6.6% pa	7.5% pa

Assets are valued at fair value, principally market value for investments, and comprise:

	31 March 2003 (£m)	31 March 2002 (£m)
Equities	13.14	18.60
Bonds	4.59	4.82
Property	1.15	1.25
Other	1.01	0.81
Total	19.89	25.48

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2003 and 31 March 2002.

The following amounts were measured in accordance with the requirements of FRS 17:

	31 March 2002 (£m)	31 March 2003 (£m)
Share of assets in the Fund	25.48	19.89
Estimated liabilities in the Fund	29.70	31.20
Hart District Council's deficit in the Fund	(4.22)	(11.31)

The movement in the net deficit for the year to 31 March 2003 is as follows:

	£m	£m
Net deficit at 1 April 2002		(4.22)
Movement in year:		
Operating Charge:		
Current service cost	(0.59)	
Past service costs	0.00	
Gain/loss on any settlements or curtailments	0.00	
Total Operating Charge		(0.59)
Contributions		0.52
Finance Income:		
Expected return on Pension Fund assets	1.89	
Interest on pension scheme liabilities	(1.86)	
Total Finance Income		0.03
Actuarial loss		(7.05)
Net deficit at 31 March 2003		(11.31)

The actuarial gain/loss can be further analysed as follows:

	Amount (£m)	Percentage
Actual return less expected return on assets	(7.17)	36.0% of scheme assets
Experience gains and losses on pension liabilities	0.15	0.5% of scheme liabilities
Changes in assumptions underlying the present value of pension liabilities	(0.03)	0.1% of scheme liabilities
Total	(7.05)	

Further information can be found in the actuary's valuation report and Hampshire County Council's Pension Fund Annual Report, which are available from the County Treasurer, The Castle, Winchester, Hants, S023 8UB.

10. Members Allowances

The Council is required to disclose the total value of Members' allowances paid in 2002/03.

Special responsibility allowances	£38,251
Attendance allowances	£110,423
Chairman's allowance.....	£1,655
	£150,329

11. Internal Trading Accounts

The Council maintains an internal trading account for the Refuse and Cleansing service. During the year 2002/03 the expenditure and income was as follows –

Expenditure	£1,501,678
Income and recharges	£1,501,678

12. Building Control (Fee Earning)

The Council is required to report whether Building Control expenditure and income have 'broken even' in the year. The results for 2002/03 were as follows –

Expenditure	£287,807
Income from Fees	£286,807
Net Expenditure	£1,000

COLLECTION FUND

2001/02 £000		2002/03 £000
	Income	
29,663	Income from council tax	33,295
1,112	Council tax benefits	1,248
23,054	Income collectable from business ratepayers (note 2)	25,266
53,829		59,809
	Expenditure	
	Precepts and demands	
23,595	- Hampshire County Council	25,657
2,047	- Hampshire Police Authority	2,625
4,540	- Hart District Council, Parishes and Town Councils	5,532
	Business rate	
22,815	- payment to national pool	25,072
11	- interest on refunds	59
96	- costs of collection	97
(12)	- movement on provision for bad and doubtful debts	(34)
144	- bad debts written off	72
	Council Tax	
65	- movement on provision for bad and doubtful debts	167
76	- bad debts written off	21
53,377		59,268
(452)	Surplus for the year	(541)
	Fund Movements	
(1,062)	Balance brought forward at 1 April	(1,275)
	Distribution of previous years' surplus	
188	- Hampshire County Council	450
16	- Hampshire Police Authority	39
35	- Hart District Council	87
(823)	Balance remaining after distribution of previous years surplus	(699)
(452)	Surplus for the year	(541)
(1,275)	Balance carried forward at 31 March (note 4)	(1,240)

NOTES TO THE COLLECTION FUND

1. The Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to National Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the billing authority.

2. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies a national non-domestic multiplier for the year (0.437 in 2002/03) and local business rates are then calculated by reference to the multiplier and their rateable value. The Council is responsible for collecting rates due from its business ratepayers, but pays the collected revenue into the NNDR pool administered by the Government. The funds are then redistributed back to local authorities on the basis of a fixed amount per head of population. The NNDR income for the year was based on a total rateable value of £68,065,586 as at 31 March 2003.

3. Council Tax Base

The residential properties in the District have been classified into 8 valuation bands. The number of chargeable dwellings in each valuation band are converted into an equivalent number of band D dwellings by multiplying by specified proportions. The illustration below demonstrates how the Council Tax base for 2002/03 was calculated-

Council Tax Band	No. of Net Dwellings	Specified Proportion	Equivalent Band D
Band AR	1.8	5/9	1.0
Band A	492.5	6/9	328.3
Band B	1,223.3	7/9	951.5
Band C	6,768.3	8/9	6,016.3
Band D	6,953.0	9/9	6,953.0
Band E	6,333.5	11/9	7,740.9
Band F	5,595.0	13/9	8,081.7
Band G	3,099.5	15/9	5,165.8
Band H	199.0	18/9	398.0
			35,636.5
Collection rate (%)			98.0
Tax base (equivalent Band D)			34,923.8

4. Surplus for the Year and Collection Fund Balance

The Collection Fund made a net surplus of £541,000 in 2002/03. The balance on the Fund at the year end was £1,240,000, of which approximately 84% will be distributed in due course to the major precepting authorities, i.e. Hampshire County Council and Hampshire Police Authority.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2003

2001/02 £000			£000	2002/03 £000
	Fixed Assets			
	Operational			
240	- Council Dwellings			231
22,234	- Other Land and Buildings			22,566
998	- Vehicles, Plant, Furniture and Equipment			1,245
0	- Infrastructure Assets			0
114	- Community Assets			104
453	Non Operational			499
24,239		Notes 1 - 5		24,645
0	Deferred Charges	Note 6		0
10,789	Long Term Investments	Note 7		11,254
355	Long Term Debtors	Note 8		267
35,383	Total Long Term Assets			36,166
	Current Assets			
157	- Stocks and Work in Progress		56	
3,217	- Debtors	Note 9	3,214	
2,325	- Investments	Note 10	4,726	
72	- Cash in Hand		79	8,075
41,154	Total Assets			44,241
	Current Liabilities			
(3,795)	- Creditors	Note 11	(5,821)	
0	- Cash Overdrawn		0	(5,821)
37,359	Total Assets less Current Liabilities			38,420
(287)	Deferred Government Grants	Note 12		(229)
(305)	Deferred Capital Receipts	Note 13		(237)
36,767	Total Assets less liabilities			37,954
2,358	Fixed Asset Restatement Reserve	Note 14		2,817
20,547	Capital Financing Reserve	Note 14		20,551
2,680	Surplus Provision for Credit Liabilities	Note 14		5,873
6,826	Usable Capital Receipts Reserve	Note 14		3,662
766	Earmarked Capital Reserves	Note 14		1,045
3,590	Revenue Fund Balances and Reserves	Note 14		4,006
36,767	Total Equity			37,954



David Skelton, Head of Finance
24 September 2003

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets

The construction, improvement and purchase of assets are regarded as capital transactions, the expenditure and financing of which are recorded separately in the balance sheet.

The movements in fixed assets during the year were as follows –

	Council Dwellings £000	Other Land & Buildings £000	Vehicles Plant & Equipt. £000	Comm- unity Assets £000	Non Oper- ational £000	Total £000
Net book value as at 31.3.02	240	22,434	998	114	453	24,239
Revaluation and restatements	0	0	0	0	0	0
Value as at 1.4.02	240	22,434	998	114	453	24,239
Additions and enhancements	0	17	660	0	23	700
Disposals	0	0	(1)	0		(1)
Revaluations	0	735	0	0	37	772
Gross value as at 31.3.2003	240	23,186	1,657	114	513	25,710
Depreciation for the year	(9)	(620)	(412)	(10)	(14)	(1,065)
Net book value as at 31.3.03	231	22,566	1,245	106	499	24,645

2. Fixed Asset Valuation

The freehold and leasehold properties, which comprise the Authority's property portfolio, were first valued in 1994/95 by an external independent valuer - Lambert, Smith and Hampton – on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

The Council has a five year rolling programme of revaluations to ensure that the values of all its fixed assets are maintained up to date. Most assets have been revalued since 1994. In 2002/03 the following assets were revalued - the Community Centre at Velmead and Cross Barn Hall at Odiham; the sportsgrounds and buildings (at Calthorpe Park, Oakley, Peter Driver, and Basingbourne Road). In addition, a new sports pavilion and ground at Elvetham Heath was valued for the first time, and new car parks at Odiham and Station Approach, Blackwater. With regard to all other assets, the Authority is not aware of any material change in values and therefore the valuations of those assets have not been updated.

Plant and machinery is included in the valuation of the buildings.

Properties regarded by the Authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Properties regarded by the Authority as non-operational have been valued on the basis of open market value.

3. Finance Leases

All the assets that the Council has acquired through finance leases in the past are now in secondary leasing periods. As a result their residual value is minimal, so valuations of these assets have been excluded from the fixed assets figures in the Consolidated Balance Sheet.

There were no outstanding obligations as at 31 March 2003.

4. Capital Commitments

At 31 March 2003, the Council had major contractual commitments on social housing schemes totalling £4.3m. These are expected to be completed within nine months of the financial year 2003/04.

5. Information on Assets Held

Fixed assets owned by the Council	<u>No.at 31.3.02</u>	<u>No.at 31.3.03</u>
Council Dwellings	2	2
Operational Buildings		
- Civic Offices	1	1
- Harlington Centre	1	1
- Community Centres	3	3
- Leisure Centres	2	2
- Outdoor Sports Facilities	6	6
- Car Parks	10	11
- Public Conveniences	5	5
- Depots	1	1
- Cemeteries	1	1
Operational Equipment		
- Vehicles	9	6
- Plant & Equipment	5	5
Infrastructure Assets		
- Amenity Footpaths	32	32
- Street Nameplates	3,265	3,266

Community Assets		
- Common Land (hectares)	226	226
- Open Spaces incl. Sports Pitches & Play Areas (h/a's)	108	108
- Fleet Pond (hectares)	54	54
- Childrens Play Areas	18	17
Non-Operational Assets		
- Yateley CAB Building	1	1
- Peter Driver Sports Ground Bungalow	1	1
- Recreational Land occupied by Hook Bowling Club	1	1
- Economic Development	1	1

6. Deferred Charges

A definition of deferred charges appears on page 12. The movements in deferred charges during the year were as follows –

	£000	£000
Balance as at 1 April 2002		0
Expenditure in the year		
- improvement grants	212	
- other	96	308
Amounts written off to Consolidated Revenue Account		(308)
Balance as at 31 March 2003		0

7. Long Term Investments

This amount represents the sum invested with appointed fund managers. The amount shown at 31 March 2003 represents the cost price plus accrued income.

8. Long Term Debtors

The Council had the following long term debtors –

	31.3.02 £000	31.3.03 £000
Mortgages (mainly from the sale of council houses)	308	232
Car Loans (repayable over more than 1 year)	47	35
	355	267

9. Current Assets (Debtors)

Debtors are analysed below –

	31.3.02 £000	31.3.03 £000
Community Charge Arrears	1	0
NNDR Arrears	747	384
Council Tax Arrears	1,606	1,867
Government Departments	163	131
Hampshire County Council	22	49
Rents from Council owned properties	185	89
Car Loans (repayable in less than 1 year)	34	30
Sundry Debtors	947	1174
Payments in Advance	328	331
	4,032	4,055
Less provision for bad and doubtful debts		
- Community Charge	1	0
- NNDR	158	24
- Council Tax	330	497
- Sundry Debtors	20	13
- Housing Benefit overpayments	133	139
- Rents from temporary accommodation	173	68
	815	841
Net Debtors	3,217	3,214

10. Current Assets (Investments)

The Council invests surplus funds temporarily. The amounts invested at 31 March 2002 and 2003 are shown below –

	31.3.02 £000	31.3.03 £000
Building Societies	0	3,000
Treasury Deposits	1,325	1,726
Other Local Authorities	1,000	0
	2,325	4,726

11. Current Liabilities (Creditors)

Creditors are analysed below –

	31.3.02 £000	31.3.03 £000
NNDR Payments in Advance	120	60
Council Tax Payments in Advance	254	433
Government Departments	1,047	2,019
Hampshire County Council	25	33
Grants for Government Initiatives	0	437
Sundry Creditors	2,349	2,839
	3,795	5,821

12. Government Grants – Deferred

Grants received by the Council towards the cost of capital expenditure are shown in this account and released to the relevant account over the useful life of the asset to partly offset the depreciation related to the asset. An analysis of the 2002/03 transactions is shown below –

	£000
Balance as at 1 April 2002	287
DTLR Public Sector Renewal Grant	(14)
Release of Sports Council grant re Southwood pavilion	(10)
Release of CCTV grant to offset depreciation	(34)
Balance as at 31 March 2003	229

13. Deferred Capital Receipts

Deferred capital receipts are amounts derived from the sale of assets which will be received in instalments over agreed periods of time. They arise mainly from mortgages on the sale of council houses prior to the transfer of housing stock to Hart Housing Association.

14. Balances and Reserves

Details of all balances and reserves are analysed in the Statements of Movement in Capital and Revenue Reserves on pages 30 to 32.

15. Analysis of Net Assets Employed

The Council is required under the Code of Practice on Local Authority Accounting to disclose the net assets employed by the General Fund, Housing Revenue Account and trading accounts.

As at 31 March 2003, all the Council's net assets amounting to £37.954 million were employed by the General Fund (2002, £36.767 million).

Net assets employed represent the aggregate of reserves attributable to the Council and equal the taxpayers equity shown in the Balance Sheet.

STATEMENT OF MOVEMENTS IN CAPITAL RESERVES

	----- ACCOUNTING -----		----- USABLE-----		
	Fixed Asset Restatement Reserve £000	Capital Financing Reserve £000	Surplus Provision for Credit Liabilities £000	Usable Capital Receipts Reserve £000	Earmarked Capital Reserves £000
Balances as at 1 April 2002	2,358	20,547	2,680	6,826	766
Net surplus/(deficit) for the year		(134)			
Value of assets disposed of	(300)				
Unrealised gains/(losses) on revaluation of fixed assets	759				
Set aside of Housing Corporation Grant			4,375		
Proceeds from disposal of fixed assets.				1,122	
Other capital receipts & contributions				89	292
Interest					23
Financing of capital expenditure		138	(1,182)	(4,375)	(36)
Balances as at 31 March 2003	2,817	20,551	5,873	3,662	1,045

Notes

1. Fixed Asset Restatement Reserve

Prior to 1994/95, a local authority's assets were recorded in the balance sheet only to the extent that debt was outstanding against them. The Accounting Code of Practice on Local Authority Accounting requires all fixed assets to be stated at current cost.

The opening balance on the Fixed Asset Restatement Reserve was created when assets were restated in the 1994/95 Balance Sheet at current value. After this initial revaluation, the Reserve is credited annually with any increase in the value of fixed assets when they are revalued and debited with any reductions in value. When assets are disposed of, the Reserve is reduced by the net book value of those assets. The Reserve, therefore, reflects the true value of assets at the end of the financial year as compared to the beginning of the year. The Reserve is purely of an accounting nature and does not represent real cash resources that are available to fund future capital expenditure.

2. Capital Financing Reserve

The Capital Financing Reserve is an accounting reserve integral to the system of capital accounting. Again, as an accounting reserve it does not represent resources available to fund future expenditure. The Reserve records the following –

- (1) the amounts required to be set aside from capital receipts for the repayment of debt.
- (2) the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external debt.
- (3) the financing of capital expenditure from revenue and from capital receipts.
- (4) the amounts required to write down deferred charges.

3. Surplus Provision for Credit Liabilities

All local authorities are required to provide for the repayment of external debt (termed in legislation as providing for credit liabilities). This provision normally forms part of the Capital Financing Reserve described in 2 above. There are regulations which state the contributions that have to be made into the provision (e.g. contributions from revenue and setting aside proportions of capital receipts from the sale of assets). The legislation dictates that the provision cannot be spent on any purpose other than debt repayment, until such time as the local authority concerned repays all its debt and becomes debt free.

The Council transferred its housing stock to Hart Housing Association in March 1994 and in consideration received a capital receipt of £23m (gross). The Council had to set aside a specified proportion (approximately 75%) of this sum for debt repayment and as a result the total amount of provision that had been made greatly exceeded the actual debt outstanding. It was, therefore, in the Council's interest to repay its debt, because the surplus left after repayment would be available to help finance the Capital Programme.

The Council decided to repay all of its remaining external debt in 1994/95 and thereby achieved debt free status. Following this, there was just over £7m surplus provision. Even though the Council is now debt free, regulations still require the Council to set aside certain receipts into this Reserve, namely 100% of the payment of Social Housing Grant by the Housing Corporation. £1.2m was used from this Reserve in 2002/03 to finance capital expenditure and the balance on the Reserve at 31 March 2003 was £5.9m.

4. Usable Capital Receipts Reserve

This Reserve comprises proceeds from the sale of assets, repayments of loans and mortgages and the Council's share of Right to Buy proceeds from houses sold by Hart Housing Association. Because the Council is debt free, all capital receipts are placed in this Reserve (apart from Housing Association Grant - see 3 above). The Reserve can be used to finance capital expenditure of any nature. The Council used this Reserve to finance £4.375m of social housing schemes in 2003/04 and obtained 100% reimbursement from the Housing Corporation in the form of Housing Association Grant. The balance on the Reserve at the 31 March 2003 was £3.7m.

5. Earmarked Capital Reserves

As at the 31 March 2003, the Council also had the following reserves which are earmarked for specific capital schemes and projects –

	£000
S106 Developers Contributions (Leisure)	657
S106 Developers Contributions (Highways)	388
	1,045

Developers contributions are received under Section 106 agreements for specific projects to enhance development sites (e.g. community buildings, children's playgrounds, highway improvements, etc).

STATEMENT OF MOVEMENTS IN REVENUE RESERVES

	General Fund £000	Open Spaces M'tce Fund £000	Collection Fund £000	Specified Revenue Projects £000	Total £000
Balances as at 1 April 2002	1,356	945	1,275	14	3,590
Net Surplus/(Deficit) in the year	77		541		618
Interest		43			43
Developers' contributions		395			395
Transfers/redistributions		(124)	(576)	60	(640)
Balances as at 31 March 2003	1,433	1,259	1,240	74	4,006

Notes

1. General Fund Working Balance

This reserve is the cumulative surplus of General Fund revenue income over revenue expenditure which has not been set aside in a specific reserve. The Reserve is used to support future years revenue expenditure and to protect the Council against unexpected events. Further details of the General Fund Revenue Account can be found on page 15.

2. Open Spaces Maintenance Fund

This fund is used to finance the cost of maintaining open spaces on or around development sites. The Fund is credited with financial contributions from developers and interest thereon and an annual contribution is made to the General Fund to offset grounds maintenance expenditure.

3. Collection Fund

Further details as to why the Council maintains this fund can be found on pages 22 to 23. The balance on the Fund as at 31 March 2003 was £1,240,000. Approximately 84% of this (£1,041,600) was due to Hampshire County Council and Hampshire Police Authority, leaving £198,400 available for this Council to reduce council tax bills in the future.

4. Specified Revenue Projects

This Fund was set up to ensure that where funding of one-off items had been budgeted in the 2002/03 year but had not been completed by year end, then the funds would still be retained in the following financial year for the specific purpose for which they were intended.

Also included are funds to finance the setting up costs of introducing the decriminalised parking scheme. An initial contribution of £40,300 was made in 2000/01. £26,500 was appropriated in 2001/02 to assist with the funding arrangements of the new scheme. The remaining £13,800 has been used to fund expenditure in 2002/03.

CASH FLOW STATEMENT

2001/02 £'000		2002/03 £'000
	Revenue Activities	
	Cash Outflows	
7,025	- Cash paid to and on behalf of employees	7,563
4,067	- Other operating cash payments	2,825
6,477	- Housing & Council Tax Benefits paid out	7,110
21,903	- NNDR payments to the National Pool	24,118
30,386	- Precepts paid	34,302
69,858		75,918
	Cash Inflows	
0	- Revenue Support Grant	0
(6,211)	- DSS subsidies for benefits	(6,911)
(329)	- Other government grants	(582)
(3,325)	- NNDR receipts from the National Pool	(3,674)
(276)	- Rents	(235)
(29,611)	- Council Tax receipts	(33,213)
(23,119)	- Non domestic rate receipts	(25,570)
(4,885)	- Cash received for goods and services	(4,300)
(2,053)	- Other operating cash receipts	(3,360)
(69,809)		(77,845)
49	Revenue Activities Net Cash Flow	(1,927)
	Returns on Investments & Servicing of Finance	
	Cash Outflows	
11	- Interest paid	59
	Cash Inflows	
(809)	- Interest received	(785)
	Capital Activities	
	Cash Outflows	
2,239	- Purchase of fixed assets	1,017
514	- Purchase of long term investments	1,466
2,272	- Other capital cash payments	4,416
	Cash Inflows	
(823)	- Sale of fixed assets	(329)
(2,524)	- Capital Grants Received	(4,527)
0	- Sale of long term investments	(1,000)
(2,196)	- Other capital cash receipts	(798)
(1,267)	Net cash (inflow)/outflow before financing	(2,408)
	Management of Liquid Resources	
1,291	Increase/(Decrease) in Short Term Deposits	2,401
24	Decrease in cash	(7)

NOTES TO THE CASH FLOW STATEMENT

2001/02

1. Reconciliation of revenue cash flow	
£'000	
659	(Surplus)/Deficit on Consolidated Revenue Account
(452)	Collection Fund Surplus
204	Collection Fund Distribution re Prior Years
710	Interest included in income
(11)	Interest included in expenditure
0	Capital Charges (net)
100	Increase in Stock
(902)	Increase/(Decrease) in Debtors
(317)	(Increase)/Decrease in Current Liabilities
0	Transfer (to)/from DSO Reserve
0	Contributions
58	Contributions from Other Provisions and Reserves

49 Revenue Activities Net Cash Flow

2. Cash and Net Funds

Balance At 31/3/02	
£'000	Net Funds
72	Cash In Hand and At Bank
2,325	Liquid Resources
2,397	
10,789	Long Term Investments
13,186	Net Funds and Long Term Investments

3. Liquid Resources

Balance At 31/3/02	
£'000	
2,325	Short Term Deposits

4. Analysis of Other Government Grants

Balance At 31/3/02	
£'000	
45	Home Improvement/Housing Defects Act
36	Defects Repurchases Loans
0	Homelessness
81	Community Schemes
(40)	Fraud Prevention
168	Benefits Administration
39	NNDR Discretionary Relief
329	

2002/03

£'000	£'000
	(77)
(541)	
489	
703	
(59)	
0	
(101)	
(346)	
(1,768)	
0	
(181)	
(46)	
	(1,850)
	(1,927)

Balance At 31/3/03	Movement In Year
£'000	£'000
79	7
4,726	2,401
4,805	2,408
11,254	465
16,059	2,873

Balance At 31/3/03	Movement In Year
£'000	£'000
4,726	2,401

Balance At 31/3/03	
£'000	
45	
35	
23	
150	
67	
220	
42	
582	

CAPITAL EXPENDITURE for the year ended 31 March 2003

1. Expenditure in the year

The spending on capital projects and schemes in 2002/03 is shown in the statement below-

Fixed Assets	£000
Environmental Health and Housing	
- Community Alarms	9
- Noise Monitoring Equipment	6
- Social Housing	300
Leisure Services	
- Hart Leisure Centre Improvements	16
Planning and Infrastructure	
- Car Parks	70
- Decriminalised Car Parking Equipment	7
- CCTV	250
Policy and Resources	
- IT systems (general).....	75
- Replacement finance systems.....	218
- HR System	24
- GIS System	1
- Civic Offices	1
- Major Buildings Repairs	11
- Economic Development	24
Total Fixed Assets	1,012
Deferred Charges	
Environmental Health and Housing	
- Social Housing Schemes (SHG)	4,375
- Adoption of Private Sewers	1
- Land Drainage	4
- Home Improvement Grants	212
Leisure	
- Dogmersfield Footway	16
- Frogmore/Darby Green Pond	6
- Hook PC - Skateboard	6
- Long Sutton Village Hall Extension	2
- Zebon Copse Play Area	9
Planning & Infrastructure	
- Environmental Improvements	5

Policy & Resources	
- Community Safety & Other	3
- Access for the Disabled	4
- Support Services	40
Total Deferred Charges	4,683
GRAND TOTAL OF ALL CAPITAL EXPENDITURE	5,695

2. Financing

The Council finances this expenditure from its capital resources as follows:

	£000
Usable capital receipts	4,375
Application of Provision for Credit Liabilities	1,182
Grants and contributions	138
	5,695

3. Accounting Treatment

In line with CIPFA guidance, capital expenditure on fixed assets has been added to the value of fixed assets where that expenditure represents the acquisition of an asset or the enhancement of the value of assets. When assets have been revalued as at 31 March 2003, the change in value indicated by the valuation rather than the expenditure on that asset is added to the asset value.

Expenditure on deferred charges (i.e. payments of a capital nature where no fixed assets are created which provide benefits directly to the authority) is not included in the Balance Sheet as an asset, but is written off to revenue accounts in line with guidance in the Code of Practice on Local Authority Accounting.

4. Reconciliation to Balance Sheet

	£000
Additions/enhancements as per Balance Sheet (Note 1) on page 26	700
Plus expenditure on fixed assets acquired for housing associations	300
Plus deferred charges (see above)	4,683
Other capital expenditure not resulting in enhancement of asset value	12
Total capital expenditure in 2002/03	5,695

INDEPENDENT AUDITOR'S REPORT TO HART DISTRICT COUNCIL

We have audited the financial statements on pages 15 to 36 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 14. This report is made solely to Hart District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditors

As described on page 8 the Head of Finance as Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements present fairly the financial position of the Authority and its income and expenditure for the year.

We review whether the Statement on the System of Internal Financial Control on pages 9 and 10 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the Authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

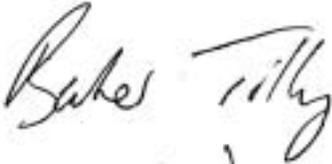
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion the financial statements present fairly the financial position of Hart District Council as at 31 March 2003 and its income and expenditure for the year then ended.

Certificate

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



11 December 2003

**Baker Tilly
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7 Elmfield Road
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GLOSSARY OF TERMS USED

Accruals

Income and expenditure is included in the accounts as the money is earned or incurred, not as it is received or paid. Local authorities accrue for both revenue and capital expenditure.

Actual Outturn

The actual income and expenditure for a financial year disclosed by the final accounts.

Agency Services

Services which are performed on behalf of another organisation. (e.g. highway maintenance carried out by the district Council on behalf of Hampshire County Council)

Appropriations

The transfer of assets (usually land or buildings) from one service to another.

Asset Charges

The charge to revenue for the use of an asset. The charge has two components, a depreciation charge and a charge for the return on capital employed.

Balances

The accumulated surplus of income over expenditure.

Best Value

It is a statutory duty to make arrangements to secure continuous improvements to the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness

Billing Authority

Responsible for determining the Council Tax base (number of equivalent Band D properties in the area), determining the Council Tax charge for the year and sending out bills to Council Tax payers.

Budget

A document stating in financial terms the Council's policy for using resources over a specified period.

Capital Expenditure

Money spent on assets that have a long-term value e.g. land, buildings, equipment.

Capital Programme

The Council's statement of proposed capital projects for current and future years.

Capital Project

A project of a capital nature e.g. development of land.

Capital Receipts

Proceeds from the disposal of capital assets such as land or other long term assets. Used to repay outstanding debt and to finance other capital expenditure. May not be used to finance revenue expenditure.

Collection Fund

The Fund into which income from Council Tax and National Non-Domestic Rates are paid and from which the precepting authorities receive money.

Community Asset

An asset which the Council intends to hold in perpetuity and has no determinable finite useful life. Restrictions on its disposal may exist. Examples are historic buildings, museum exhibits and parks.

Contingency

An amount of money set aside in the budget for unforeseen items of expenditure.

Current Assets

Assets such as stock or investments, which will be consumed or realised within the next financial year.

Current Liabilities

Amounts which will become payable within the next financial year, such as creditors and bank overdraft.

Deferred Charges

Items which although of a capital nature do not constitute capital assets, e.g. loans outstanding on improvement grants and losses on certain properties acquired for the extinguishing of industrial user rights.

Depreciation

An accounting process used to spread the cost of an asset over its useful life.

Estimate

Expected expenditure and income in a given year which, once approved by Council, forms the annual budget.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Reporting Standard (FRS)

The rules by which accounts should be reported.

General Fund

The main fund of the Council into which all income is paid and out of which all expenditure is met. Revenue transactions are recorded in the General Fund Revenue Account.

Government Grants

Sums paid by central government towards local government services. They may be either specific (i.e. in aid of particular services), e.g. towards improvement grants, or in aid of services generally, e.g. the Revenue Support Grant. Some government grants are also referred to as 'exchequer subsidies'.

Infrastructure Asset

Fixed assets such as roads, bridges and footpaths.

Long Term Debtors

Debts owed to the Council which will not be repaid within the next financial year.

Net Realisable Value

The open market value of an asset less the expenses that would be incurred should the asset be sold.

Non-Operational Asset

Fixed assets which are not used in the delivery of service. These include investment properties, surplus land and property and land awaiting development.

Operating Lease

A lease other than a finance lease, where ownership of the asset does not pass to the Council

Operational Asset

Fixed assets such as land and buildings, vehicles, plant, equipment, infrastructure assets and community assets which are used in the delivery of services.

Precept

The amount an authority levies on a billing authority to pay for its services.

Precepting Authority

An authority entitled by law to levy a precept. These include Hampshire County Council, the Hampshire Police Authority and local parish/town councils.

Provisions

Provisions are set up for any liabilities and losses which are likely to be incurred in the future but where it is uncertain as to the amounts or the dates on which they will arise.

Provision for Credit Liabilities

The proportion of capital receipts required by Part IV of the Local Government and Housing Act 1989 to be utilised in the repayment of debt.

Prudential Code

A proposed Code of Practice setting out guidelines under which local authorities may borrow to fund future capital expenditure.

Rateable Value (RV)

The value placed on all properties subject to rating by the Valuation Office, an agency of the Inland Revenue, to which rate poundages are applied to arrive at rates payable.

Reserves

Funds set aside from periodical contributions for future expenditure on specific items or as a contingency against future losses.

Revenue Expenditure

Annual expenditure on services, consisting mainly of employees costs, and running expenses.

Revenue Support Grant (RSG)

The grant paid by the Government to local authorities to bridge the gap between income from Council Tax, National Non-Domestic Rates (NDR) and the Government's assessment of the need to spend as indicated by the Standard Spending Assessment (SSA).

Revised Budget

The forecast of how the current year's expenditure and income will turn out, made when the following year's estimates are being prepared.

Standard Spending Assessment (SSA)

Central government's assessment of the amount required to pay for local government services. This is the figure on which the Revenue Support Grant from central Government is based.

Statement of Standard Accounting Practice (SSAP)

The rules by which accounts should be prepared.

Stock

Stock can be goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into a product for sale, products and services in intermediate stages of completion, long term contract balances or finished goods.

Working Balance

Sums retained within the accounts to meet the day-to-day requirements, e.g. expenditure incurred in anticipation of income and to meet possible future requirements of the year which cannot be identified in the Budget.

Work in Progress

Work in Progress is a job which at the end of the financial year is still in progress.