



**STATEMENT OF ACCOUNTS  
FOR 2003/04**

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## **EXPLANATORY FOREWORD**

### **1. Introduction**

This foreword provides a brief explanation of the Council's Statement of Accounts for 2003/04 which are set out on pages 18 to 41 of this document and supported by the Statement of Responsibilities (page 8), the Statement on Internal Control (pages 9 to 13) and the Statement of Accounting Policies (pages 14 to 17).

### **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 18 to 23.

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 24 to 25.

### **4. Consolidated Balance Sheet**

This statement sets out the overall financial position of the Council as at 31 March 2004 and incorporates the value of all assets and liabilities at the year-end.

The Consolidated Balance Sheet is set out on page 26 and is supported by notes on pages 27 to 33 and the Statements of Movements in Capital and Revenue Reserves on pages 34 to 37.

### **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 38 and 39.

### **6. Capital Expenditure**

The Council has approved a capital programme with projected spending of £9,152m in 2004/05. 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 2003/04 can be found on pages 40 to 41.

## 7. Accounting Policies

The accounting policies, which support the accounts, are set out on pages 14 to 17. There have been no material changes to accounting policies in 2003/04 except for the full implementation of FRS 17 into the accounts.

## 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 18 and a graphical presentation is shown on page 6. The General Fund summary shows a balanced budget for the year (2003/04 original estimate).

The underspends, that have resulted in a net surplus of £499k, was achieved from a large number of variances between original budget and outturn, the most significant of which were increased investment income of £162k (favourable), and an exceptional 'one-off' item relating to the repayment of backdated rates refund £270k (favourable).

**Council Tax collection** - the collection rate for Council Tax in 2003/04 was 99.6%, the highest since inception, against 99.4% for the previous year. The Collection Fund achieved a net surplus of £572k in 2003/04.

**Capital expenditure** - details of how much the Council spent on capital projects and how it was financed are set out on pages 40 and 41. The capital programme provided for expenditure of approximately £2.5m in 2003/04, but actual spending in the year was lower at £1.5m.

## 9. Funding of future capital expenditure

The Council had funds and reserves of £10.1m at the 31 March 2004 to finance capital expenditure, made up mainly of useable capital receipts (£5.4m) and surplus provision for credit liabilities (£4.7m) 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 34 and 35.

Due to 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 2004, enabled the Council to finance its current approved Capital Programme.

## 10. Planned future developments in service delivery

The Council's approved Capital Programme was completed at the end of 2003/04. In 2004/05 the Council adopted a Capital Programme for the 6-year period 2004/05 to 2009/10.

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](http://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 following approval of the new 6-year Capital Programme referred to above.

## 12. Issues related to the Euro

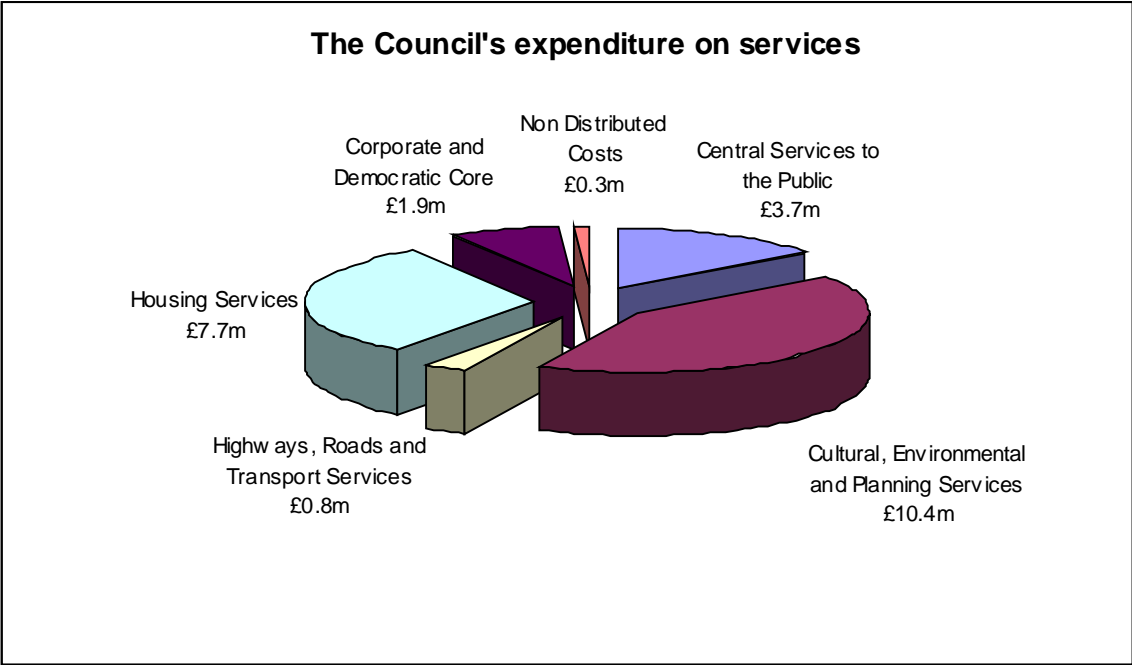
The Council is continuing to monitor the possible introduction of the common European currency, which may have an impact on commercial arrangements and financial systems. No costs, other than a minimal amount of staff time, have been incurred to date.

## 13. The Council's Expenditure on Services

In 2003/04 the Council spent £22.8m 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 18 to 23.

A broad analysis of the £22.8m is shown below –

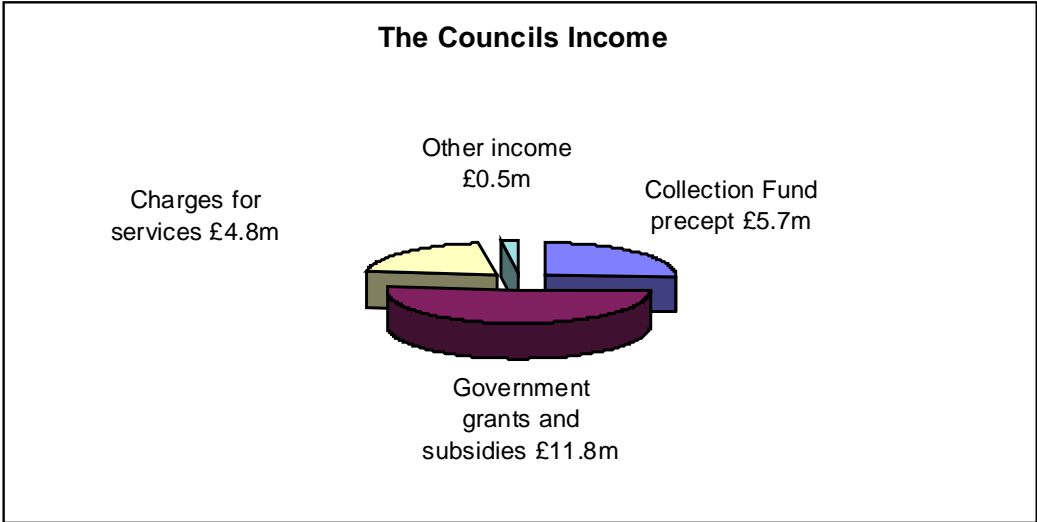
	£m
Central Services to the Public .....	3.7
Cultural, Environmental and Planning Services.....	10.4
Highways, Roads and Transport Services .....	0.8
Housing Services .....	7.7
Corporate Democratic Core .....	1.9
Non Distributed Costs .....	0.3
	<b>24.8</b>
Less accounting for capital .....	2.0
	<b>22.8</b>



**14. The Council's Income**

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

	£m
Collection Fund precept .....	5.7
Government grants and subsidies .....	11.8
Charges for services .....	4.8
Other income .....	0.5
	22.8



## 15. Pension Costs

The Council participates in Hampshire County Council's Pension Fund. The Council's share of the Pension Fund deficit decreased from £11.3 million to £9.5m at 31 March 2004. This represents some 23% of the Council's total equity.

In order to meet the Council's liabilities in full, increased contributions have been agreed for future years. The Council's current contribution of 215% of employees' contributions will increase to 225% in 2004/05 and discussions are currently taking place with regards to 2005/06 onwards when the next triennial valuation of the Pension Fund will take place. It is currently estimated that, arising from valuation, the Council's contribution will increase further in 2006/07, possibly up to 300%, in order to secure a fully funded position.

Further information on pension costs is contained in Note 15 on page 17 and Note 9 on page 22.

## 16. Further Information

Further information about the Statement of Accounts can be obtained from Christina Earls, Head of Finance, Civic Offices, Harlington Way, Fleet, Hampshire, GU51 4AE (tel. 01252 774453 or email: [christina.earls@hart.gov.uk](mailto:christina.earls@hart.gov.uk))



**Christina Earls, Head of Finance**



## **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 approve the Statement of Accounts.

### **The Head of Finance's Responsibilities**

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in Great Britain and the Best Value Accounting Code of Practice. These accounts must present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2004.

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 Codes of Practice

The Head of Finance has also:

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

### **Certificate of the Head of Finance**

I certify that the accounts set out on pages 14 to 41 represent the true position of the Authority as at 31 March 2004 and its income and expenditure for the year then ended.



Christina Earls - Head of Finance

Date: 29<sup>th</sup> November, 2004

### **Certificate of the Chairman of the Staff and General Purposes Committee**

I confirm that the accounts were completed and approved by me on behalf of the Staff and General Purposes Committee.



Hugo Eastwood - Chairman of Staff and General Purposes Committee

## **STATEMENT OF INTERNAL CONTROL**

### **Scope and Responsibility**

Hart District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Hart District Council also has a duty to make arrangements to secure continuous improvement in the way its services are provided, having regard to economy, efficiency and effectiveness. The council must also ensure that there is a sound system of internal control that assists in the achievement of objectives.

### **Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to an acceptable level rather than eliminate all risk of failure completely. It can only provide reasonable and not absolute assurance that the council's aims and objectives are achieved.

The system of internal control has been in place for the year ended 31<sup>st</sup> March 2004. This is now being reviewed for improvements that will impact for the financial year 2004/05.

### **The Internal Control Environment**

The control environment sets the tone of the council; it will influence the way the Council conducts its activities on a day to day basis, enabling good governance and risk management practices. Factors that influence the control environment include integrity, ethics, operating style and the way management and members assign responsibility and authority. Key elements of the control environment operating within the council are:

#### ***Establishing and Monitoring the Council's Objectives***

- The Council's objectives are established within the Corporate Plan. The objectives are developed by Cabinet and supported by Management Team.
- Service Plans are in place for all services. These provide clearly defined objectives for each service including appropriate operational service targets. Service Plans are reviewed and challenged by the Council's Scrutiny Committee.
- Service Plans are reviewed on at least an annual basis, and progress against targets stated in each Service Plan is reported half yearly to Members.

#### ***Facilitation of Policy and Decision Making***

The Constitution sets out the roles, responsibilities and relationships between Full Council, the Executive (Cabinet), Scrutiny Committee and other committees in respect of the policy and decision making process. The Constitution ensures that there is a clear and properly defined process for decision making and also clearly states where responsibility for decision making lies. Due to the reorganisation of the management structure of the council, which has recently taken place, the Constitution is being thoroughly reviewed, to be formally re-adopted in the Autumn of 2004.

***Ensuring compliance with established policies, procedures, laws and regulations. This includes how risk management is embedded in the activity of the council, how leadership is given to the risk management process and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties.***

The review of the Constitution that will take place during the summer of 2004 will encompass a robust assessment of compliance with established policies, procedures, laws and regulations. Processes already in place to ensure compliance include:

- Awareness and understanding of key council policies by all staff.
- Awareness of Financial Regulations and Standing Orders
- Training of officers to ensure they can adhere to professional standards and appropriate codes of ethics
- External Audit opinions on the legality of transactions and governance arrangements.
- Monitoring and compliance roles that are embedded within the responsibilities of The Monitoring Officer and Section 151 Officer.
- Establishment and review of a Strategic Risk Register
- Commencement of Risk Management training which is now being rolled out to individual services
- Service Plans that encompass and identify weaknesses and threats to individual services and using these to manage operational risks

***Ensuring the economical, effective and efficient use of resources. Including, arrangements in place for securing continuous improvement in the way services are delivered.***

- The development of a revised Procurement strategy
- Improving accessibility and use of financial management systems
- Improve timeliness of monthly budget information to cost centre managers and Heads of Service
- Supporting the development of cross cutting policies and procedures
- Preparation of an inflation only budget
- Cross cutting themed reviews based on the principles of Best Value

### ***Financial Management and Reporting of Financial Management***

The council operates a system of devolved financial management with nominated Cost Centre Managers being accountable to the Section 151 Officer. Monitoring and review of the system in place is carried out by the Accountancy Section, the key elements of the system being:

- Compliance and awareness of Financial Regulations
- Comprehensive budgetary control systems
- Regular reviews of financial performance against targets by Leadership Team
- Preparation of regular financial reports showing actual expenditure against targets. These are made available to Senior Management and Executive Members
- Regular monitoring of capital expenditure
- A medium term financial planning process and strategy

## ***Performance Management and Reporting of Performance Management***

The council has yet to fully develop its Performance Management Framework, however current systems in place provide the following:

- The Corporate Plan and individual Service Plans stating the council's objectives
- Systems are in place that ensure information is available to comply with the requirement to produce National Performance indicators.
- The development of a set of local Performance Indicators
- Monitoring of Service Plans and Performance Indicators by Scrutiny Committee
- The use of individual appraisals for employees that link into service objectives tasks and targets

## **Review of Effectiveness**

The council has a responsibility for conducting at least annually a review of the effectiveness of internal control. The review of effectiveness is informed by:

- The work of senior managers within the council
- The work of Internal Audit
- The work of External Audit
- Reports by other independent inspection bodies such as the Audit Commission and the Benefits Fraud Inspectorate.

Part of the role of The Staff and General Purposes Committee is to act as the Council's Audit Committee. It receives regular progress reports from Internal Audit and External Audit. The committee also receives summaries of all recommendations made by Internal and External Audit, this enables the Committee to have an up to date picture of the control and risk environment.

The Internal Audit Service works with management to assess the control and risk environment.

The main objectives for Internal Audit being:

- To independently assess the risk and internal control environment, reporting on how risks are being managed.
- To work in partnership with External Audit to optimise the use of audit resources
- To lead on establishing and raising awareness of the benefits of an effective risk management culture.

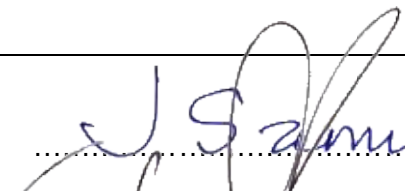
## **Significant Internal Control Issues**

Issues that have been raised during 2003/04 concerning the Internal Control Framework that are being addressed include:

- Strengthening and developing further the Performance Management Framework
- Adopt a Race Equality Policy
- Implement Internal Audit Recommendations relating to key financial systems
- To continue the process to embed risk management within the council by the adoption of a Corporate Risk Policy to be reported to the Executive in September which is underpinned by the Annual Audit Plan.
- Ensure resources are available to implement the requirements of E-Government and other statutory requirements
- Review guidance and procedures for tendering processes and contract management to backup the new procurement strategy
- Review financial procedures/regulations in line with the revised Constitution
- Review the adequacy and robustness of financial systems
- Prepare an improvement plan in response to CPA

## Action Plan to Address Internal Control Weaknesses

Action	Target Date	Responsible Officer
Establish a Race Equality Policy	July 04	Head of HR
Develop a Risk Management culture within the Council	On-Going	Chief Executive Management Team Leadership Team
Review existing Tendering Procedures, Contract Standing Orders and Financial Regulations and ensure they are readily available to all staff.	Nov 04	Head of Democratic and Legal Services and Section 151 Officer
Internal Audit recommendations to be implemented for key financial systems	March 2005	Section 151 Officer
Service Plans to include a section on Risk Management and be prepared in parallel with the budget process for 2005/06.	Oct 04	Head of Performance and Innovation and All Service Heads
Review of Strategic Risk Register on at least a half-yearly basis.	Sept 04 and March 2005	Chief Executive and Leadership Team
Review progress being made on the E-Government timetable	Dec 04	Head of Information and Communication
Enhance the Performance Management Framework	Jan 05	Head of Performance and Innovation
Embrace CPA and implement the CPA Improvement Plan	March 2005 Ongoing 2005/06	Chief Executive and Members
Establish a process for the preparation of a full Statement of Internal Control for 2004/05	June 2005	Audit Manager and Section 151 Officer
Monitor and review the impact on Internal Control as a result of the implementation of the new structure.	April 2005	Chief Executive and Corporate Directors
Review the current Constitution	Dec 04	Monitoring Officer Head of Democratic Services Democratic Structures Working Party

  
 ..... Jules Samuels  
 Chief Executive

Date ..... 4/9/04

  
 ..... Stephen Parker  
 Leader of the Council

Date ..... 9/9/04

# 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 –

*Land:* This asset is not depreciated

*Council Dwellings and other Buildings:* All buildings are depreciated on a straight-line basis over their estimated lifespan up to a maximum of 60 years.

*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

IT equipment: 3 years

Plant and Equipment: 15 years

CCTV: 7 years

*Community and Non Operational Assets:* These assets are depreciated over the estimated useful life of the asset.

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 (at a rate of 3.5%) on 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, all 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 2003/04. Corporate and democratic core costs were not allocated to services in 2003/04 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 34 to 37.

## **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 30.

## **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 2004.

## **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 215% of the employee contributions into the Fund in 2003/04.

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. The Fund's actuary has advised that the additional pension costs that it would have been necessary to provide for 100% are £726,905, representing 17.1% of pensionable pay. In addition, the Council pays for all added years benefits which have been awarded and related increases. In 2003/04 these were £134,987, representing 3.2% of pensionable pay.

In the past pension costs were charged to the Council's accounts in respect of these contributions paid to the funded pension scheme for these employees. Further costs arose in respect of certain pensions paid to retired employees on an unfunded basis. The 2003 Code of Practice for Local Authority Accounting in the United Kingdom a Statement of Recommended Practice (the SORP) requires full recognition of FRS 17 Retirement benefits from 1 April 2003. This will include recognition of net pension asset/liability and a pension reserve in the balance sheet for the whole funded pension scheme. Entries in the Consolidated Revenue Account show the movements in this asset/liability (with reconciling entries back to contributions payable for council tax purposes.)

Further details are set out in the Note 9 of the Notes to the Consolidated Revenue Account on page 22.

## CONSOLIDATED REVENUE ACCOUNT

<b>2002/03</b>		<b>2003/04</b>	<b>2003/04</b>	<b>2003/04</b>
Restated Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
1,482	Central Services to the Public	3,771	(2,506)	1,265
7,815	Cultural, Environmental & Planning Services	10,424	(3,746)	6,678
153	Highways, Roads and Transport Services	767	(850)	(83)
823	Housing Services	7,690	(6,316)	1,374
1,812	Corporate and Democratic Core	1,928	(48)	1,880
112	Non Distributed Costs	256	0	256
<b>12,197</b>	<b>Net Cost of Services</b>	<b>24,836</b>	<b>(13,466)</b>	<b>11,370</b>
998	Parish Precepts			1,047
(1,590)	Transfer from Asset Management Revenue A/c			(995)
(1,890)	Return on Pension Assets			(1,290)
1,860	Interest charge on Pension Fund			1,890
(703)	Interest and Investment Income			(712)
(7)	Increase/(Decrease) in Provision for Bad Debts			15
0	Provision for VAT partial exemption penalties			60
(136)	Sale of Trade Waste Facility			0
0	Rates Rebate			(270)
(16)	Vat Refunds			0
<b>10,713</b>	<b>Net Operating Expenditure</b>			<b>11,115</b>
	APPROPRIATIONS			
	Contributions (from)/to Reserves			
0	- Carry forwards			376
(96)	- Open Spaces Maintenance			(99)
(31)	- Outdoor Sports Maintenance			(59)
(14)	- On-Street Parking Account			0
58	Contribution to Capital Financing Reserve			60
0	Transfer from Capital			(16)
(40)	Pension Appropriation Account			(660)
(1,066)	Transfer of Surplus Minimum Revenue Provision			(1,139)
(308)	Deferred Charges Written Off			(555)
<b>9,216</b>	<b>Amount met from Government Grants and Local Taxpayers</b>			<b>9,023</b>
(5,532)	Collection Fund Precept			(5,741)
(87)	Contribution to/(from) Collection Fund (Council Tax)			(80)
(3,674)	Distribution from Non Domestic Rate Pool			(2,917)
0	Revenue Support Grant			(784)
<b>(77)</b>	<b>(Surplus)\deficit for the Year</b>			<b>(499)</b>
<b>(1,356)</b>	<b>General Fund Balance at 1 April 2003</b>			<b>(1,433)</b>
<b>(77)</b>	<b>(Surplus)\Deficit for the Year</b>			<b>(499)</b>
<b>(1,433)</b>	<b>General Fund Balance at 31 March 2004</b>			<b>(1,932)</b>

## 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 play schemes.

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.

### *Non Distributed Costs*

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 2003/04 was £62,086 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 (£159,769 in 2003/04). This must be used for the benefit of people in the area on activities or projects not specifically authorised by other powers. The amount actually spent in 2003/04 was £158,200 (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 2003/04 are as follows –

	£000
Capital charges included in cost of services .....	(2,074)
Release of deferred grant .....	(60)
	<hr/>
	(2,134)
Provision for depreciation .....	1,139
Surplus transferred to Consolidated Revenue Account	(995)

## 5. Operating Leases

There are outstanding commitments of £376,870 in respect of operating leases on seven refuse vehicles and two mechanical sweepers. The actual expenditure in 2003/04 was £193,168.

The annual instalments payable are –

2004 / 05 .....	£202,170
2005 / 06 .....	£120,580
2006 / 07 .....	£ 54,120

During 2003/04, the Council also acquired 4 vans on annual renewable leases. The cost per annum of these is £15,800.

## 6. Publicity

The Council spent £179,318 on advertising and publicity in 2003/04. This is included within the service expenditure shown on page 18 and was spent in the following ways:

Recruitment advertising.....	£ 56,881
Other advertising and promotions.....	£122,437
	<b>£179,318</b>

## 7. Remuneration

The Council is required to disclose the number of employees whose remuneration in 2003/04 fell in each bracket of a scale in multiples of £10,000, starting with £50,000 –

£50,000 - £59,999 .....	5
£60,000 - £69,999 .....	1
£70,000 - £79,999 .....	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 2003/04.

## 9. Pensions

In 2003/04 the Council paid an employer's contribution of £545,000 (2002/03 £534,781), representing 12.8% (2002/03 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. This expenditure includes the costs of two admitted bodies.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The employers' contribution rate payable in 2003/04 was based on the valuation as at 31 March 2001, when the actuary recommended an employers' rate of 215% 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 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.

Actual amounts charged against council tax for pensions in the year

	2002/03 (£m)	2003/04 (£m)
Employers' contributions payable to scheme	0.59	0.57
Past Service costs	0.00	0.16
<b>Total</b>	<b>0.59</b>	<b>0.73</b>

Additional notes relating to Pensions are set out in note 5 (page 37) of the Statement in Movement in Reserves and at note 14 (page 32) of the Consolidated Balance Sheet.

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 2003/04.

Special responsibility allowances .....	£ 57,162
Attendance allowances .....	£ 84,771
Chairman's allowance.....	£ 1,715
	<b>£143,648</b>

## 11. Internal Trading Accounts

The Council maintains an internal trading account for the Refuse and Cleansing service. During the year 2003/04 the expenditure and income was as follows –

Expenditure .....	£1,697,691
Income .....	(£ 45,772)
Net Expenditure .....	£1,651,919
Recharges .....	(£1,651,919)
Balance .....	£0

## 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 2003/04 were as follows –

Expenditure .....	£296,835
Income from Fees .....	(£325,883)
<b>Net Expenditure .....</b>	<b>(£29,048)</b>

## 13. External Audit Fees

Baker Tilly are the Council's auditors for 2003/04 as appointed by the Audit Commission. In 2003/04 the Council incurred the following fees relating to external audit and inspection:

	2002/03	2003/04
	£	£
External audit services	85,000	55,000
Statutory inspection fees *	15,200	15,800
Fees for grant claims	24,633	26,000

\*This is work completed by the Audit Commission not Baker Tilly.



## COLLECTION FUND

2002/03 £000		2003/04 £000
	<b>Income</b>	
33,295	Income from council tax	38,116
1,248	Council tax benefits	1,566
25,266	Income collectable from business ratepayers (note 2)	24,134
<b>59,809</b>		<b>63,816</b>
	<b>Expenditure</b>	
	Precepts and demands	
25,657	- Hampshire County Council	29,772
2,625	- Hampshire Police Authority	3,430
5,532	- Hart District Council, Parishes and Town Councils	5,741
	Business rate	
25,072	- payment to national pool	23,803
59	- interest on refunds	31
97	- costs of collection	97
(34)	- movement on provision for bad and doubtful debts	159
72	- bad debts written off	44
	Council Tax	
167	- movement on provision for bad and doubtful debts	169
21	- bad debts written off	(2)
<b>59,268</b>		<b>63,244</b>
<b>(541)</b>	<b>Surplus for the year</b>	<b>(572)</b>
	<b>Fund Movements</b>	
(1,275)	Balance brought forward at 1 April	(1,240)
	Distribution of previous years' surplus	
450	- Hampshire County Council	372
39	- Hampshire Police Authority	38
87	- Hart District Council	80
<b>(699)</b>	<b>Balance remaining after distribution of previous years surplus</b>	<b>(750)</b>
(541)	Surplus for the year	(572)
<b>(1,240)</b>	<b>Balance carried forward at 31 March (note 4)</b>	<b>(1,322)</b>

## 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 (0.444 in 2003/04) 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 £63,114,217 as at 31 March 2004.

### 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 2003/04 was calculated-

Council Tax Band	No. of Net Dwellings	Specified Proportion	Equivalent Band D
Band AR	0.75	5/9	0.4
Band A	493.75	6/9	329.2
Band B	1255.75	7/9	976.7
Band C	6761.5	8/9	6010.2
Band D	6993.0	9/9	6993.0
Band E	6395.0	11/9	7816.1
Band F	5659.5	13/9	8174.8
Band G	3161.25	15/9	5268.8
Band H	201.25	18/9	402.5
			<b>35971.7</b>
Collection rate (%)			98.0
<b>Tax base (equivalent Band D)</b>			<b>35252.2</b>

### 4. Surplus for the Year and Collection Fund Balance

The Collection Fund made a net surplus of £572,000 in 2003/04. The balance on the Fund at the year end was £1,322,000, of which approximately 85% 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 2004

2002/03 £000			£000	2003/04 £000
	Fixed Assets			
	Operational			
231	- Council Dwellings			221
22,566	- Other Land and Buildings			23,689
1,245	- Vehicles, Plant, Furniture and Equipment			1,254
104	- Community Assets			94
499	Non Operational			485
<b>24,645</b>		Notes 1 – 5		<b>25,743</b>
0	Deferred Charges	Note 6		0
11,254	Long Term Investments	Note 7		12,675
267	Long Term Debtors	Note 8		224
<b>36,166</b>	<b>Total Long Term Assets</b>			<b>38,642</b>
	Current Assets			
56	- Stocks and Work in Progress		25	
3,214	- Debtors	Note 9	3,790	
4,726	- Investments	Note 10	2,470	
79	- Cash in Hand		48	6,333
<b>44,241</b>	<b>Total Assets</b>			<b>44,975</b>
	Current Liabilities			
(5,821)	- Creditors	Note 11	(3,096)	
0	- Cash Overdrawn			(3,096)
<b>38,420</b>	<b>Total Assets less Current Liabilities</b>			<b>41,879</b>
(229)	Deferred Government Grants	Note 13		(169)
(11,310)	Pensions Asset / Liability	Note 14		(9,490)
(237)	Deferred Capital Receipts	Note 15		(197)
<b>26,644</b>	<b>Total Assets less liabilities</b>			<b>32,023</b>
2,817	Fixed Asset Restatement Reserve	Note 16		4,156
20,551	Capital Financing Reserve	Note 16		20,371
(11,310)	Pension Reserve	Note 16		(9,490)
5,873	Surplus Provision for Credit Liabilities	Note 16		4,706
3,662	Usable Capital Receipts Reserve	Note 16		5,431
1,045	Earmarked Capital Reserves	Note 16		1,838
4,006	Revenue Fund Balances and Reserves	Note 16		5,011
<b>26,644</b>	<b>Total Equity</b>			<b>32,023</b>

Christina Earls, Head of Finance

## 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 31.3.03	231	22,566	1,245	104	499	24,645
Revaluation and restatements						
Value as at 1.4.03	231	22,566	1,245	104	499	24,645
Additions and enhancements	0	309	578	0	0	887
Disposals	0	0	0	0	0	0
Revaluations	0	1,350	0	0	0	1,350
Gross value as at 31.3.2004	<b>231</b>	<b>24,225</b>	<b>1,823</b>	<b>104</b>	<b>499</b>	<b>26,882</b>
Depreciation for the year	(10)	(536)	(569)	(10)	(14)	(1,139)
Net book value as at 31.3.04	<b>221</b>	<b>23,689</b>	<b>1,254</b>	<b>94</b>	<b>485</b>	<b>25,743</b>

### 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. All assets have been revalued since 1994. In 2003/04 the following assets were revalued – Frogmore Leisure Centre and The Workshop, Old Pumphouse Lane, Fleet; car parks at Harlington Way Fleet, Green Lane Blackwater, High Street Hartley Wintney, Gurkha Square Fleet, Victoria Rd Fleet, Church Rd Fleet, Reading Rd Hook, Monks Pound Odiham. In addition, the new sports pavilion at Elvetham Heath was valued, 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 2004.

### 4. Capital Commitments

At 31 March 2004, the Council had no major contractual commitments on social housing schemes and commitments of £174,000 worth of other commitments relating to contracts held as at 31 March 2004.

### 5. Information on Assets Held

Fixed assets owned by the Council	No.at <u>31.3.03</u>	No.at <u>31.3.04</u>
Council Dwellings	2	2
Operational Buildings		
- Civic Offices	1	1
- Harlington Centre	1	1
- Community Centres	3	4
- Leisure Centres	2	2
- Outdoor Sports Facilities	6	7
- Car Parks	11	11
- Public Conveniences	5	5
- Depots	1	1
- Cemeteries	1	1
Operational Equipment		
- Vehicles	6	8
- Plant & Equipment	5	6
Infrastructure Assets		
- Amenity Footpaths	32	32
- Street Nameplates	3,266	3,282

Community Assets		
- Common Land (hectares)	226	226
- Open Spaces incl. Sports Pitches & Play Areas (hectares)	108	224.5
- Fleet Pond (hectares)	54	54
- Childrens Play Areas	17	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 15. The movements in deferred charges during the year were as follows –

	£000	£000
Balance as at 1 April 2003		0
Expenditure in the year		
- improvement grants	426	
- other	129	555
Amounts written off to Consolidated Revenue Account		(555)
<b>Balance as at 31 March 2004</b>		<b>0</b>

## 7. Long Term Investments

This amount represents the sum invested with appointed fund managers. The amount shown at 31 March 2004 represents the cost price plus accrued income.

## 8. Long Term Debtors

The Council had the following long term debtors –

	31.3.03 £000	31.3.04 £000
Mortgages (mainly from the sale of council houses)	232	197
Car Loans (repayable over more than 1 year)	35	27
	<b>267</b>	<b>224</b>

## 9. Current Assets (Debtors)

Debtors are analysed below –

	31.3.03 £000	31.3.04 £000
NNDR Arrears	384	0
Council Tax Arrears	1,867	2,130
Government Departments	131	647
Hampshire County Council	49	33
Rents from Council owned properties	89	109
Car Loans (repayable in less than 1 year)	30	19
Sundry Debtors	1,174	1,774
Payments in Advance	331	310
	<b>4,055</b>	<b>5,022</b>
Less provision for bad and doubtful debts		
- NNDR	124	283
- Council Tax	497	666
- Sundry Debtors	13	60
- Housing Benefit overpayments	139	150
- Rents from temporary accommodation	68	73
	<b>841</b>	<b>1,232</b>
<b>Net Debtors</b>	<b>3,214</b>	<b>3,790</b>

## 10. Current Assets (Investments)

The Council invests surplus funds temporarily. The amounts invested at 31 March 2003 and 2004 are shown below –

	31.3.03 £000	31.3.04 £000
Building Societies	3,000	2,000
Treasury Deposits	1,726	470
Other Local Authorities	0	0
	<b>4,726</b>	<b>2,470</b>

## 11. Current Liabilities (Creditors)

Creditors are analysed below –

	31.3.03 £000	31.3.04 £000
NNDR Payments in Advance	60	485
Council Tax Payments in Advance	433	523
Government Departments	2,019	0
Hampshire County Council	33	19
Grants for Government Initiatives	437	435
Sundry Creditors	2,839	1,574
	<b>5,821</b>	<b>3,096</b>

## 12. Contingent Liabilities

The Council has been pursuing replacement of its Revenue and Benefits System for some time. This has now been resolved; however, negotiations have not been completed in regard to the aborted implementation with a supplier some time ago. The risk currently faced by the Council may result in a legal action should funds not be possible to be recovered, or a potential write off. The company has indicated that further invoices were also due and payable from Hart, which is being disputed. Hardware purchased may have potential for re-use, and this is currently being reviewed. Until negotiations are concluded, provision against the sum that may be subject to write off cannot be determined, and further legal and technical assistance may be required in order to resolve the issue contractually.

## 13. 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 2003/04 transactions is shown below –

	£000
Balance as at 1 April 2003	229
DTLR Public Sector Renewal Grant	(16)
Release of Sports Council grant re Southwood pavilion	(10)
Release of CCTV grant to offset depreciation	(34)
<b>Balance as at 31 March 2004</b>	<b>169</b>



## 14. Pensions

Note 9 (page 22) to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme.

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

	31 March 2003	31 March 2004
Discount rate	6.1% pa	6.4% pa
Rate of increase in salaries	4.1% pa	4.4% pa
Rate of increase in pensions in payment	2.6% pa	2.9% pa
Rate of increase in deferred pensions	2.6% pa	2.9% pa
Rate of inflation	2.6% pa	2.9% pa
Long-term expected rates of return on:		
Equities	7.6% pa	7.7% pa
Bonds	4.6% pa	4.7% pa
Property	6.6% pa	6.7% pa
Other assets	3.1% pa	4.2% pa
Average long term expected rate of return	6.6% pa	6.9% pa

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

	31 March 2003 (£m)	31 March 2004 (£m)
Equities	13.14	16.25
Bonds	4.59	4.81
Property	1.15	0.92
Other	1.01	0.92
Total	19.89	22.90

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 2004 and 31 March 2003.

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

	31 March 2003 (£m)	31 March 2004 (£m)
Share of assets in the Fund	19.89	22.90
Estimated liabilities in the Fund	(31.20)	(32.39)
Hart District Council's deficit in the Fund	<b>(11.31)</b>	<b>(9.49)</b>

## **15. 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.

## **16. Balances and Reserves**

Details of all balances and reserves are analysed in the Statements of Movement in Capital and Revenue Reserves on pages 34 to 37.

## **17. 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 2004, all the Council's net assets amounting to £32.023 million were employed by the General Fund (2003, £26.644 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 2003	2,817	20,551	5,873	3,662	1,045
Net surplus/(deficit) for the year		(468)			
Value of assets disposed of					
Unrealised gains/(losses) on revaluation of fixed assets	1,339				
Set aside of Housing Corporation Grant					
Proceeds from disposal of fixed assets.					
Other capital receipts & contributions				1,769	889
Interest					
Financing of capital expenditure		288	(1,167)		(96)
<b>Balances as at 31 March 2004</b>	<b>4,156</b>	<b>20,371</b>	<b>4,706</b>	<b>5,431</b>	<b>1,838</b>

### 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 2003/04 to finance capital expenditure and the balance on the Reserve at 31 March 2004 was £4.7m.

### 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 balance on the Reserve at the 31 March 2004 was £5.4m.

### 5. Earmarked Capital Reserves

As at the 31 March 2004, the Council also had the following reserves which are earmarked for specific capital schemes and projects –

	£000
S106 Developers Contributions (Leisure) .....	933
S106 Developers Contributions (Highways) .....	577
S106 Developers Contributions (Housing) .....	328
	<b>1,838</b>

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

## STATEMENT OF MOVEMENTS IN REVENUE RESERVES

	General Fund £000	Open Spaces M'tce Fund £000	Collection Fund £000	Specified Revenue Projects £000	Pensions Reserve £000	Total £000
Balances as at 1 April 2003	1,433	1,259	1,240	74	(11,310)	(7,304)
Net Surplus/(Deficit) in the year	499		572			1,071
Interest		52				52
Developers' contributions		227				227
Transfers/redistributions		(158)	(490)	302	(660)	(1,006)
Actuarial gains & losses relating to pensions					2,480	2,480
<b>Balances as at 31 March 2004</b>	<b>1,932</b>	<b>1,380</b>	<b>1,322</b>	<b>376</b>	<b>(9,490)</b>	<b>(4,480)</b>

### 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 18.

#### 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 24 to 25. The balance on the Fund as at 31 March 2004 was £1,322,000. Approximately 85% of this (£1,123,700) was due to Hampshire County Council and Hampshire Police Authority, leaving £198,300 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 2003/04 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.

## 5. The Pensions Reserve

The movement in the net deficit for the year to 31 March 2004 is as follows:

	£m	£m
Net surplus at 1 April 2003		(11.31)
Movement in year:		
Operating Charge:		
Current service cost	(0.57)	
Past service costs	(0.16)	
Gain/loss on any settlements or curtailments	0.00	
Total Operating Charge		(0.73)
Contributions		0.67
Finance Income:		
Expected return on Pension Fund assets	1.29	
Interest on pension scheme liabilities	(1.89)	
Total Finance Income		(0.60)
Actuarial loss		2.48
<b>Net deficit at 31 March 2004</b>		<b>(9.49)</b>

The actuarial gains identified as movements on the Pensions Reserve in 2003/04 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2004:

	Local Government Pension Scheme	
	£m	%
Differences between the expected and the actual return on assets	2.43	(10.6)
Differences between actuarial assumptions about liabilities and actual experience	(0.04)	0.1
Changes in the demographic and financial assumptions used to estimate liabilities	0.09	0.3
	<u>2.48</u>	
Comparative totals for 2002/03		(7.05)

Further information on Pensions is set out at note 9 of the Consolidated Revenue Account.

## CASH FLOW STATEMENT

2002/03 £'000		2003/04 £'000
	<b>Revenue Activities</b>	
	Cash Outflows	
7,563	- Cash paid to and on behalf of employees	7,568
2,825	- Other operating cash payments	2,547
7,110	- Housing Benefits paid out	7,855
24,118	- NNDR payments to the National Pool	25,875
34,302	- Precepts paid	39,433
<b>75,918</b>		<b>83,278</b>
	Cash Inflows	
0	- Revenue Support Grant	(785)
(6,911)	- DSS subsidies for benefits	(6,976)
(582)	- Other government grants	(785)
(3,674)	- NNDR receipts from the National Pool	(2,917)
(235)	- Rents	(109)
(33,213)	- Council Tax receipts	(37,945)
(25,570)	- Non domestic rate receipts	(24,943)
(4,300)	- Cash received for goods and services	(4,350)
(3,360)	- Other operating cash receipts	(2,394)
<b>(77,845)</b>		<b>(81,204)</b>
<b>(1,927)</b>	<b>Revenue Activities Net Cash Flow</b>	<b>2,074</b>
	<b>Returns on Investments &amp; Servicing of Finance</b>	
	Cash Outflows	
59	- Interest paid	31
	Cash Inflows	
(785)	- Interest received	(810)
	<b>Capital Activities</b>	
	Cash Outflows	
1,017	- Purchase of fixed assets	777
1,466	- Purchase of long term investments	1,421
4,416	- Other capital cash payments	1,557
	Cash Inflows	
(329)	- Sale of fixed assets	(1,400)
(4,527)	- Capital Grants Received	(93)
(1,000)	- Sale of long term investments	0
(798)	- Other capital cash receipts	(1,269)
<b>(2,408)</b>	<b>Net cash (inflow)/outflow before financing</b>	<b>2,288</b>
	<b>Management of Liquid Resources</b>	
2,401	Increase/(Decrease) in Short Term Deposits	(2,256)
<b>(7)</b>	<b>Decrease in cash</b>	<b>32</b>

## NOTES TO THE CASH FLOW STATEMENT

2002/03

### 1. Reconciliation of revenue cash flow

£'000	
(77)	<b>(Surplus)/Deficit on Consolidated Revenue Account</b>
(541)	Collection Fund Surplus
489	Collection Fund Distribution re Prior Years
703	Interest included in income
(59)	Interest included in expenditure
(101)	Increase in Stock
(346)	Increase/(Decrease) in Debtors
(1,768)	(Increase)/Decrease in Current Liabilities
(181)	Contributions
(46)	Contributions from Other Provisions and Reserves

**(1,927) Revenue Activities Net Cash Flow**

### 2. Cash and Net Funds

Balance  
At

31/3/03

£'000

#### Net Funds

79	Cash In Hand and At Bank
4,726	Liquid Resources
<b>4,805</b>	
11,254	<b>Long Term Investments</b>
<b>16,059</b>	<b>Net Funds and Long Term Investments</b>

### 3. Liquid Resources

Balance  
At

31/3/03

£'000

4,726	Short Term Deposits
-------	---------------------

### 4. Analysis of Other Government Grants

Balance  
At

31/3/03

£'000

45	Home Improvement/Housing Defects Act
35	Defects Repurchases Loans
23	Homelessness
150	Community and Environmental Schemes
	Refuse and Street Cleansing
67	Fraud Prevention
220	Benefits Administration
42	NNDR Discretionary Relief
<b>582</b>	

2003/04

£'000

£'000

	(499)
(572)	
410	
712	
(31)	
(31)	
871	
1,828	
(15)	
(599)	

2,573

**2,074**

Balance  
At

31/3/04

£'000

Movement  
In Year

£'000

47	(32)
2,470	(2,256)
<b>2,517</b>	<b>(2,288)</b>
12,675	1,421
<b>15,192</b>	<b>(867)</b>

Balance  
At

31/3/04

£'000

Movement  
In Year

£'000

2,470	(2,256)
-------	---------

Balance  
At

31/3/04

£'000

36
70
203
34
95
297
50
<b>785</b>



## CAPITAL EXPENDITURE for the year ended 31 March 2004

### 1. Expenditure in the year

The spending on capital projects and schemes in 2003/04 is shown in the statement below-

<b>Fixed Assets</b>	£000
Environmental Health and Housing	
- Community Alarms .....	8
Leisure Services	
- Hart Leisure Centre Improvements .....	133
- Frogmore Leisure Centre .....	90
- Crossbarn Odiham .....	13
- Oakley Park safety netting .....	10
- Frogmore Daycare Centre .....	4
Planning and Infrastructure	
- Car Parks .....	53
- Civic Offices car park .....	8
- CCTV .....	17
Policy and Resources	
- IT systems (general).....	107
- Replacement finance systems.....	2
- HR System .....	13
- GIS System .....	137
- Civic Offices .....	18
- Vehicles and Equipment .....	250
- Economic Development .....	35
<b>Total Fixed Assets .....</b>	<b>898</b>
<b>Deferred Charges</b>	
Environmental Health and Housing	
- Adoption of Private Sewers .....	1
- Land Drainage .....	7
- Home Improvement Grants .....	426
Leisure	
- North Warnborough Village Hall .....	2
- Hartley Wintney open space .....	5
- Play Areas .....	18
Policy & Resources	
- Community Transport .....	45
- Disability Discrimination .....	16
- Support Services .....	35
<b>Total Deferred Charges .....</b>	<b>555</b>
<b>GRAND TOTAL OF ALL CAPITAL EXPENDITURE .....</b>	<b>1,453</b>

## 2. Financing

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

	£000
Usable capital receipts .....	0
Application of Provision for Credit Liabilities .....	1,166
Grants and contributions .....	287
	<b>1,453</b>

## 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 2004, 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 28 .....	887
Plus expenditure on fixed assets acquired for housing associations .....	0
Plus deferred charges (see above) .....	555
Other capital expenditure not resulting in enhancement of asset value .....	11
<b>Total capital expenditure in 2003/04 .....</b>	<b>1,453</b>

## **INDEPENDENT AUDITOR'S REPORT TO HART DISTRICT COUNCIL**

We have audited the statement of accounts on pages 14 to 41, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 14 to 17.

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 Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. 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 statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

We review whether the statement on the system of internal control on pages 9 to 13 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA 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, nor have we considered whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. 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 judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council'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 statement of accounts 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 my/our opinion the statement of accounts present fairly the financial position of Hart District Council as at 31 March 2004 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.

Signature: Baker Tilly Date: 29 November 2004

Name: Baker Tilly

Address: Lancaster House  
7 Elmfield Road  
Bromley  
BR1 1LT

## **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.

### ***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 (NNDR) 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 substantially complete but unfinished.