



**STATEMENT OF ACCOUNTS
FOR 2004/05**

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EXPLANATORY FOREWORD

1. Introduction

This foreword provides a brief explanation of the Council's Statement of Accounts for 2004/05, which are set out on pages 20 to 47 of this document and supported by the Statement of Responsibilities (page 9 to 10), the Statement on Internal Control (pages 11 to 15) and the Statement of Accounting Policies (pages 16 to 19).

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 20 to 26.

Further details of the cost of services provided by the Council and the income collected to pay for the services are shown graphically on pages 6 to 7.

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, Hampshire Fire Authority and Central Government.

Details can be found on pages 27 to 29.

4. Consolidated Balance Sheet

This statement sets out the overall financial position of the Council as at 31 March 2005 and incorporates the value of all assets and liabilities at the year-end.

The Consolidated Balance Sheet is set out on page 30 and is supported by notes on pages 31 to 37 and the Statements of Movements in Capital and Revenue Reserves on pages 38 to 43.

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 44 and 45.

6. Capital Expenditure

The Council has approved a capital programme with projected spending of £5.8m 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 2004/05 can be found on pages 46 to 47.

7. Accounting Policies

The accounting policies, which support the accounts, are set out on pages 16 to 19.

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 20 and a graphical presentation is shown on page 6 and 7. The General Fund summary shows a balanced budget for the year (2004/05 original estimate).

The overspend, that has resulted in a net deficit of £33k, was achieved from a large number of variances between original budget and outturn. The most significant of which were increased investment income of £95k (favourable); an exceptional 'one-off' item relating to the repayment of backdated rates refund £152k (favourable); and £86k Section 38 transfer from reserves. However reorganisation costs totalled £488k and have now been fully included in costs for FY04/05.

Council Tax collection - the collection rate for Council Tax in 2004/05 was 97.8%, against 98.8% for the previous year (restated). The Collection Fund achieved a net surplus of £1,001k in 2004/05.

Capital expenditure - details of how much the Council spent on capital projects and how it was financed are set out on pages 46 and 47. The capital programme provided for expenditure of approximately £5.8m in 2004/05, but actual spending in the year was lower at £1.9m.

9. Funding of future capital expenditure

The Council had funds and reserves of £9.8m at the 31 March 2005 to finance capital expenditure, made up mainly of useable capital receipts (£6.4m) and surplus provision for credit liabilities (£3.4m) 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 38 and 39.

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 2005, 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).

11. Borrowing

The Council achieved debt free status when it repaid all its outstanding external debt in 1994/95. In FY04/05, it maintained the policy to remain a debt free authority following approval of the new 6-year Capital Programme referred to above. This policy may be subject to change in the light of additional pressures as balances reduce.

12. Issues related to the Euro

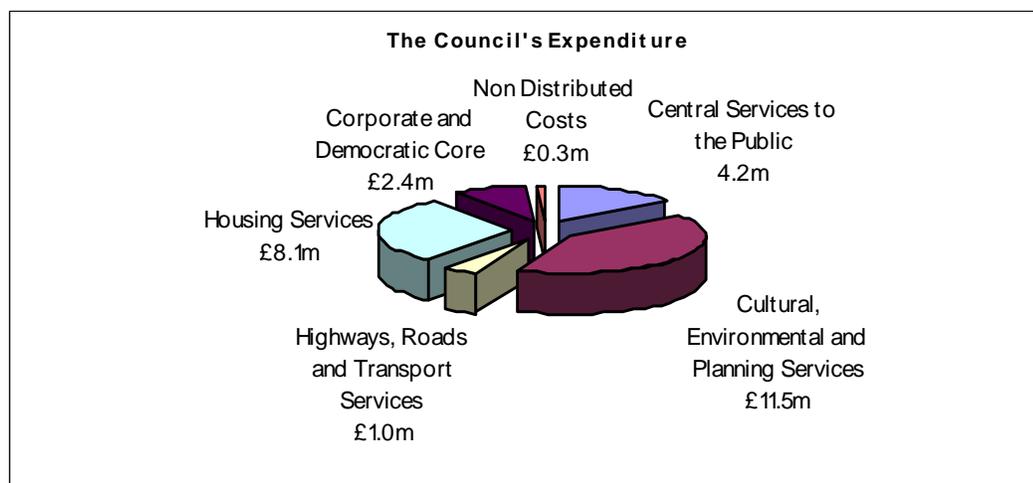
The Council is continuing to monitor the possible introduction of the common European currency, which may have an impact on commercial arrangements and financial systems. No costs, other than a minimal amount of staff time, have been incurred to date.

13. The Council's Expenditure on Services

In 2004/05 the Council spent £25.3m 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 20 to 26.

A broad analysis of the £25.3m is shown below –

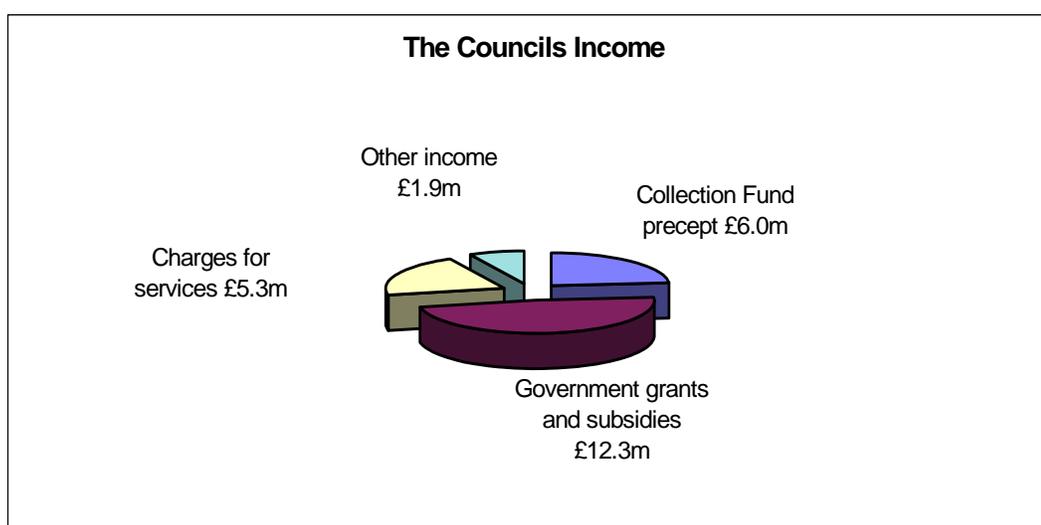
	£m
Central Services to the Public	4.2
Cultural, Environmental and Planning Services.....	11.5
Highways, Roads and Transport Services	1.0
Housing Services	8.1
Corporate and Democratic Core	2.4
Non Distributed Costs	<u>0.3</u>
	27.5
Less accounting for capital	<u>(2.0)</u>
	25.5



14. The Council's Income

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

	£m
Collection Fund precept	6.0
Government grants and subsidies	12.3
Charges for services	5.3
Other income	1.9
	<hr/>
	25.5



15. Pension Costs

The Council participates in Hampshire County Council's Pension Fund. The Council's share of the Pension Fund deficit increased from £9.5 million to £16.2 million at 31 March 2005. This represents some 37% 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 is 225% of employees' contributions. In accordance with the triennial valuation on the 31 March 2004 this figure will increase to 250% in 2005/06. It has been calculated that, arising from this valuation, the Council's contribution will increase further in 2006/07 to 275% and to 295% in 2007/08, in order to secure a fully funded position.

Further information on pension costs is contained in Note 15 on page 19 and Note 9 on page 23.

16. Further Information

Further information about the Statement of Accounts can be obtained from Mike Dwyer, Interim Head of Finance, at Civic Offices, Harlington Way, Fleet, Hampshire, GU51 4AE (tel. 01252 622122 or email: Mike.Dwyer@Hart.gov.uk).

Mike Dwyer, Interim 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 2005.

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 20 to 47 represent the true position of the Authority as at 31 March 2005 and its income and expenditure for the year then ended.

Mike Dwyer, Interim Head of Finance

Date: _____, 2006

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.

Susan Fisher - Chairman of Staff and General Purposes Committee

STATEMENT ON INTERNAL CONTROL 2004/05

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 ensure that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions which includes the arrangements in place for the management of risk.

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 at Hart District Council for the year ended 31st March 2005 and, up to the date of the approval of the annual statement of accounts.

THE INTERNAL CONTROL ENVIRONMENT

The control environment 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 achievement of Council's Objectives

- The objectives of the council are established within the Corporate Plan covering a 5 year period between 2002 and 2007.
- Service Plans are in place for all services provided by the council. These identify clear objectives for each service together with key operational targets and outcomes for the year. Note that these are based on corporate objectives (and will increasingly be in the future), signed off by cabinet members and scrutinised by Scrutiny.
- Operational targets are reviewed by Heads of Service on a regular basis, the results being formally reported to Scrutiny half yearly.

Facilitation of Policy and Decision Making

The Constitution sets out the roles, responsibilities and relationships between Full Council, the Executive (Cabinet), Scrutiny Committee, Standards 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 it clearly states where the responsibility for decision making lies.

Ensuring Compliance with Established Policies, Procedures, Laws and Regulation

The council has well established procedures to ensure that policy and regulation is adhered to, this includes:

- Monitoring and compliance roles that are embedded within the responsibilities of the Section 151 Officer and Monitoring Officer.
- Ensuring key policies are readily available to all employees and where appropriate members.
- Awareness and understanding of Financial Regulations and Standing Orders.
- Internal and External Audit opinion on the legality of transactions and governance arrangements.
- Compliance to existing Codes of Conduct for members and employees.
- Ensuring professionally qualified staff are employed in key posts and that they ensure they adhere to their appropriate professional standards and codes of conduct.

Ensuring the Economical, Effective and Efficient use of Resources Including, Arrangements in Place for Securing Continuous Improvement

The council continues to develop the use of resources within the spirit of continuous improvement.

- Preparation of an inflation only budget
- Implementation of a new technology to administer Council Tax, NNDR and Housing Benefits.
- Finalising the new organisational structure.
- Improved processes in place for the management and co-ordination of licensing.
- Revised arrangements for the procurement of vehicle tyres.
- Partnership working with Rushmoor BC to review older persons accommodation needs.
- Partnership Working with Housing Associations to establish housing needs within the District.
- Improved use and co-ordination of service planning to ensure objectives are clearly defined.
- Commitment to implement IEG

Financial Management and Reporting of Financial Management

The council operates a system of devolved financial management with nominated officers being accountable to the Head of Finance for all financial transactions. Monitoring and review of the system is carried out by Financial Services, key elements of the system in place being:

- Compliance and awareness of Financial Regulations/Standing Orders
- Comprehensive budgetary control process ensuring budgets are set within the financial limits of the council and variations are reported. The process includes monitoring both capital and revenue expenditure and all types of income.
- Preparation of regular financial reports showing actual expenditure against targets. These are made available to management and the Executive.
- A medium term financial strategy linked to corporate objectives (Corporate Plan).

Performance Management and Reporting Performance Management

The council has a formal performance management framework based on the Golden Thread principle, that includes:

- Corporate Plan linked to Service Plans
- Establishment of Service Plans covering all areas of services provided by the council. Service Plans contain targets that are specific, measurable, achievable, realistic and time bound.
- National and local Performance Indicators to enable the council to compare and benchmark its own performance against others.

- Formal monitoring of Service Plans by Scrutiny Committee.
- The use of individual Performance and Development Reviews for employees that link into service targets.
- Working with the Audit Commission/IDeA to improve the performance management framework.
- Participation within the Policy & Performance Review Network and Southern Performance and Improvement Network to share good practice.

Review of Effectiveness of Internal Control

The council has a responsibility for conducting at least annually a review of the effectiveness of the system of internal control. The review of the effectiveness is informed by the work of Internal Audit, Management Team, the work of External Audit and other inspection bodies such as the Audit Commission and the Benefit Fraud Inspectorate. The Staff and General Purposes Committee have been advised of the results of the review of the effectiveness of the system of internal control. A Plan is in place to address weakness and ensure continuous improvement of the system.

SIGNIFICANT INTERNAL CONTROL ISSUES

During 2004/05 a number of issues have been identified that need to be addressed. These will be forming the basis of the Action Plan that has been agreed by management.

- Implement Internal and External Audit recommendations for key financial systems in a timely manner.
- Continue to embed risk management within the decision making process of the council.
- Ensure resources both financial and officer time are available to meet the requirements of e-government.
- Prepare and begin to implement an Action Plan in response to the Benefit Fraud Inspectorate Report.
- Continue to enhance the performance management framework.
- Prepare operational risk registers that will link to the Strategic risk register.
- Implement the CPA Improvement Plan.
- Ensure there is continuity of service for statutory functions, in particular Building Control and Environmental Health.
- Finalise reviews of both Contract Standing Orders and Financial Procedure Rules.
- Complete a review of the Scheme of Delegation
- Implementation of the requirements of the Race Relations Amendment Act 2000
- Financial Control Processes, particularly between Revenues and Finance

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 Account. 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 is 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. Intangible Fixed Assets

Intangible Fixed Assets 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 historic cost only.

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 2004/05. Corporate and democratic core costs were not allocated to services in 2004/05 in accordance with the guidance of CIPFA.

12. Reserves and Provisions

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 38 to 43.

Provisions represent legal liabilities, where the amount or date of payment is uncertain. They are charged to the revenue account in the year they are recognised.

13. Investments

Investments are shown in the balance sheet at cost. The investment values included in the Consolidated Balance Sheet are shown on page 34. It should be noted that all funds previously held by Fund Managers were brought back in house by 31 March 2005

14. Investment Interest

Investment income is calculated as that accrued to the Authority in that year.

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 225% of the employee contributions into the Fund in 2004/05.

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 £764,937, representing 17.1% of pensionable pay. In addition, the Council pays for all added years benefits which have been awarded and related increases. In 2004/05 these were £137,754, representing 3.1% 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 23.

CONSOLIDATED REVENUE ACCOUNT

2003/04 Net Expenditure £000		2004/05 Gross Expenditure £000	2004/05 Income £000	2004/05 Net Expenditure £000
1,265	Central Services to the Public	4,226	3,059	1,167
6,678	Cultural, Environmental & Planning Services	11,495	3,927	7,568
(83)	Highways, Roads and Transport Services	1,021	1,178	(157)
1,374	Housing Services	8,060	6,938	1,122
1,880	Corporate and Democratic Core	1,946	27	1,919
256	Non Distributed Costs	249	0	249
0	Exceptional item - Reorganisation Costs	488	0	488
11,370	Net Cost of Services			12,356
1,047	Parish Precepts			1,136
(995)	Transfer from Asset Management Revenue A/c			(959)
(1,290)	Return on Pension Assets			(1,540)
1,890	Interest charge on Pension Fund			2,050
(712)	Interest and Investment Income			(735)
15	Increase/(Decrease) in Provision for Bad Debts			(11)
60	Provision for VAT partial exemption penalties			(60)
(270)	Rates Rebate			(152)
0	S38 Transfer			(86)
0	VAT Refunds			(11)
11,115	Net Operating Expenditure			11,988
	APPROPRIATIONS			
	Contributions (from)/to Reserves			
376	- Carry forwards			(12)
(99)	- Open Spaces Maintenance			(101)
0	- Building Control Reserve			75
(59)	- Outdoor Sports Maintenance			(61)
60	Contribution to Capital Financing Reserve			30
(660)	Pension Appropriation Account			(740)
(1,139)	Transfer of Surplus Minimum Revenue Provision			(1,287)
(555)	Intangible Fixed Assets Written Off			(497)
9,023	Amount met from Government Grants and Local Taxpayers			9,395
(5,741)	Collection Fund Precept			(6,014)
(80)	Contribution to/(from) Collection Fund (Council Tax)			(57)
(2,917)	Distribution from Non Domestic Rate Pool			(2,294)
(784)	Revenue Support Grant			(997)
(499)	(Surplus)deficit for the Year			33
(1,433)	General Fund Balance at 1 April 2004			(1,932)
(499)	(Surplus)Deficit for the Year			33
(1,932)	General Fund Balance at 31 March 2005			(1,899)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Description of Services

Service expenditure has been analysed under 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 2004/05 was £208,600, 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 (£162,817 in 2004/05). 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 2004/05 was £166,400 (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 2004/05 are as follows –

	2003/04	2004/05
	£000	£000
Capital charges included in cost of services	(2,074)	(2,216)
Release of deferred grant	(60)	(30)
	<hr/>	<hr/>
	(2,134)	(2,246)
Provision for depreciation	1,139	1,287
Surplus transferred to CRA	(995)	(959)

5. Operating Leases

There are outstanding commitments of £89,665 principally in respect of operating leases for refuse vehicles, The actual expenditure in 2004/05 was £65,502.

The annual instalments payable are –

Less than 1 year	£82,779
2 to 5 years.....	£6,886

During 2004/05, the Council also acquired a smart car for depot staff use visiting operational sites.

6. Publicity

The Council spent £201,485 on advertising and publicity in 2004/05. This is included within the service expenditure shown on page 20 and was spent in the following ways:

Recruitment advertising	£ 50,999
Other advertising and promotions	£150,486
	<u>£201,485</u>

7. Remuneration

The Council is required to disclose the number of employees whose remuneration in 2004/05 fell in each bracket of a scale in multiples of £10,000, starting with £50,000 – £59,999.

	2003-04	2004-05		2003-04	2004-05
£50,000 - £59,999	5	1	£70,000 - £79,999	1	1
£60,000 - £69,999 ...	1	1	£80,000 - £89,999	0	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 of related parties and by material transactions.

No related party transactions involving officers or members have occurred in 2004/05.

9. Pensions

In 2004/05 the Council paid an employer's contribution of £604,000 (2003/04 £545,000), representing 13.5% (2003/04 12.8%) 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 2004/05 was based on the valuation as at 31 March 2001, when the actuary recommended an employers' rate of 225% 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 2004, the actuary has calculated that to make the Fund 100% solvent will require increasing contributions by the Council until 2007/08 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 2004 valuation were as follows:

April 2004 to March 2005 225% of members' contributions
 April 2005 to March 2006 250% of members' contributions
 April 2006 to March 2007 275% of members contributions
 April 2007 to March 2008 295% 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

	2003/04 (£m)	2004/05 (£m)
Employers' contributions payable to scheme	0.57	0.81
Past Service costs	0.16	0.06
Total	0.73	0.87

Additional notes relating to Pensions are set out in note 6 (page 42 of the Statement in Movement in Reserves) and at note 15 (page 37) 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 2004/05.

	£
Special responsibility allowances	58,816
Attendance allowances	84,554
Chairman's allowance	2,045
	<u>145,415</u>

11. Internal Trading Accounts

The Council maintains an internal trading account for the Refuse and Cleansing service. During the year 2004/05 the expenditure and income was as follows –

	£
Expenditure ...	1,640,046
Income	(17,804)
Net Expenditure	<u>1,622,242</u>
Recharges	<u>(1,622,242)</u>
Balance	<u>0</u>

12. Building Control (Fee Earning) (see also page 41, note 2)

The Council is required to ensure that Building Control expenditure and income have 'broken even' within a three-year rolling cycle. The results for 2004/05 were as follows –

	£
Expenditure	199,223
Income from Fees	(351,047)
Net Expenditure	<u>(151,824)</u>
Recharges	<u>76,026</u>
Surplus	<u>(75,798)</u>

13. External Audit Fees

Baker Tilly is the Council's auditor for 2004/05 as appointed by the Audit Commission. In 2003/04 the Council incurred the following fees relating to external audit and inspection: The one off increase in 2004/05 is to realign the appropriate accounting for audit work being undertaken for the appropriate financial year, and will not re-occur

	2003/04	2004/05
	£	£
External audit services	55,000	87,500
Statutory inspection fees *	15,800	12,632

Fees for grant claims	26,000	25,000
-----------------------	--------	--------

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

14. Exceptional Item – Reorganisation Costs

These costs were incurred during FY03/04 and FY04/05 to change the management structure of the Authority. The re-organisation took effect in June 2004. Those costs incurred in FY03/04 reflect preliminary legal advice and the costs in FY04/05 reflect redundancy, recruitment and revised management pay structure.

COLLECTION FUND

2003/04 £000		2004/05 £000
	Income	
38,116	Income from council tax	40,906
1,566	Council tax benefits	1,818
24,134	Income collectable from business ratepayers (note 2)	17,403
63,816		60,127
	Expenditure	
	Precepts and demands	
29,772	- Hampshire County Council	29,975
3,430	- Hampshire Police Authority	3,866
0	- Hampshire Fire Authority	1,830
5,741	- Hart District Council, Parishes and Town Councils	6,014
	Business rate	
23,803	- payment to national pool	16,691
31	- interest on refunds	485
97	- costs of collection	100
159	- movement on provision for bad and doubtful debts	44
44	- bad debts written off	83
	Council Tax	
169	- movement on provision for bad and doubtful debts	14
(2)	- bad debts written off	24
63,244		59,126
(572)	Surplus for the year	(1,001)
	Fund Movements	
(1,240)	Balance brought forward at 1 April	(1,322)
	Distribution of previous years' surplus	
372	- Hampshire County Council	298
38	- Hampshire Police Authority	34
0	- Hampshire Fire Authority	0
80	- Hart District Council	57
(750)	Balance remaining after distribution of previous years surplus	(933)
(572)	Surplus for the year	(1,001)
(1,322)	Balance carried forward at 31 March (note 4)	(1,934)

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 (0.456 in 2004/05) 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 £63,195,316 as at 31 March 2005.

3. Council Tax Base

The residential properties in the District have been classified into 9 valuation bands. The number of chargeable dwellings in each valuation band is converted into an equivalent number of band D dwellings by multiplying by specified proportions. The illustration below demonstrates how the Council Tax base for 2004/05 was calculated:

Council Tax Band	No. of Net Dwellings	Specified Proportion	Equivalent Band D
Band AR	0.75	5/9	0.4
Band A	488.75	6/9	325.8
Band B	1,300.25	7/9	1,011.3
Band C	6,749.00	8/9	5,999.1
Band D	7,236.85	9/9	7,236.9
Band E	6,417.75	11/9	7,843.9
Band F	5,690.25	13/9	8,219.3
Band G	3,220.75	15/9	5,367.9
Band H	200.75	18/9	401.5
			<hr/> 36,406.1
Collection rate (%)			98.0
Tax base (equivalent Band D)			<hr/> 35,678.0

4. Surplus for the Year and Collection Fund Balance

The Collection Fund made a net surplus of £1,001,000 in 2004/05. The balance on the Fund at the year end was £1,934,000, of which approximately 85% will be distributed in due course to the major precepting authorities, i.e. Hampshire County Council, Hampshire Police Authority and Hampshire Fire Authority.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005

2003/04		£000		2004/05
£000				£000
	Fixed Assets			
	Operational			
221	- Council Dwellings			375
23,689	- Other Land and Buildings			24,318
1,254	- Vehicles, Plant, Furniture and Equipment			1,991
94	- Community Assets			84
485	Non Operational			475
25,743			Notes 1 – 5	27,243
0	Intangible Fixed Assets		Note 6	0
12,675	Long Term Investments		Note 7	1
224	Long Term Debtors		Note 8	162
38,642	Total Long Term Assets			27,406
	Current Assets			
25	- Stocks and Work in Progress		42	
3,790	- Debtors	Note 9	13,489	
2,470	- Investments	Note 10	8,650	
48	- Cash in Hand		9	22,190
44,975	Total Assets			49,596
	Current Liabilities			
(3,096)	- Creditors	Note 12	(4,908)	
0	- Cash Overdrawn		(557)	(5,465)
41,879	Total Assets less Current Liabilities			44,131
(169)	Deferred Government Grants	Note 13		(138)
(9,490)	Pensions Asset / Liability	Note 14		(16,180)
(197)	Deferred Capital Receipts	Note 15		(135)
32,023	Total Assets less liabilities			27,678
4,156	Fixed Asset Restatement Account	Note 16		5,547
20,371	Capital Financing Account	Note 16		20,034
(9,490)	Pension Reserve	Note 16		(16,180)
4,706	Surplus Provision for Credit Liabilities	Note 16		3,448
5,431	Usable Capital Receipts Reserve	Note 16		6,390
1,838	Earmarked Capital Reserves	Note 16		2,825
5,011	Revenue Fund Balances and Reserves	Note 16		5,614
32,023	Total Equity			27,678

Mike Dwyer, Interim 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 31.3.04	221	23,689	1,254	94	485	25,743
Revaluation and restatements Value as at 1.4.04	221	23,689	1,254	94	485	25,743
Additions and enhancements	0	77	1,318	0	0	1,395
Disposals	0	0	0	0	0	0
Revaluations	160	1,227	0	0	5	1,392
Gross value as at 31.3.2005	381	24,993	2,572	94	490	28,530
Depreciation for the year	(6)	(675)	(581)	(10)	(15)	(1,287)
Net book value as at 31.3.05	375	24,318	1,991	84	475	27,243

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 2004/05 the following assets were revalued – Hart Leisure Centre, land west of Sheldons Lane Hook, Shelter at Fleet Cemetery, Birchayes, 47

Branksomewood Road Fleet, 1 Green Lane Blackwater and R/O 12/14 London Rd 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 2005.

4. Capital Commitments

At 31 March 2005, the Council had no major contractual commitments on social housing schemes. It had £150,283 worth of other commitments relating to contracts held as at 31 March 2005.

5. Information on Assets Held

Fixed assets owned by the Council	No.at <u>31.3.04</u>	No.at <u>31.3.05</u>
Council Dwellings	2	2
Operational Buildings		
- Civic Offices	1	1
- Harlington Centre	1	1
- Community Centres	4	4
- Leisure Centres	2	2
- Outdoor Sports Facilities	7	7
- Car Parks	11	11
- Public Conveniences	5	5
- Depots	1	1
- Cemeteries	1	1
Operational Equipment		
- Vehicles	8	11
- Plant & Equipment	6	6
Infrastructure Assets		
- Amenity Footpaths	32	32
- Street Nameplates	3,282	3,301

Community Assets		
- Common Land (hectares)	226	226
- Open Spaces incl. Sports Pitches & Play Areas (hectares)	224.5	252.3
- 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. Intangible Fixed Assets

A definition of intangible fixed assets appears on page 17. The movements during the year were as follows –

	2003-04 £000	2004-05 £000
Balance as at 1 April 2004	0	0
Expenditure in the year		
- improvement grants		297
- other	555	200
Amounts written off to Consolidated Revenue Account	(555)	(497)
Balance as at 31 March	0	0

7. Long Term Investments

Hart District Council withdrew from its arrangement with appointed fund managers to invest sums long term. These funds are now managed in-house. As at 31 March 2005 the Council has only a small longstanding charitable investment.

8. Long Term Debtors

The Council had the following long-term debtors –

	31.3.04 £000	31.3.05 £000
Mortgages (mainly from the sale of council houses)	197	136
Car Loans (repayable over more than 1 year)	27	26
	224	162

9. Current Assets (Debtors)

Debtors are analysed below –

	31.3.04 £000	31.3.05 £000
NNDR Arrears	0	2,445
Council Tax Arrears	2,130	2,428
Government Departments	647	8,400
Hampshire County Council	33	26
Rents from Council owned properties	109	85
Car Loans (repayable in less than 1 year)	19	11
Sundry Debtors	1,774	1,032
Payments in Advance	310	415
	5,022	14,841
Less provision for bad and doubtful debts		
- NNDR	283	328
- Council Tax	666	680
- Sundry Debtors	60	33
- Housing Benefit overpayments	150	149
- Rents from temporary accommodation	73	162
	1,232	1,352
Net Debtors	3,790	13,489

10. Current Assets (Investments)

The Council invests surplus funds temporarily. The amounts invested at 31 March 2004 and 2005 are shown below –

	31.3.04 £000	31.3.05 £000
Building Societies	2,000	1,000
Bank Deposits	0	3,000
Treasury Deposits	470	4,650
	2,470	8,650

11. Contingent Liabilities

The Council has been negotiating with a supplier concerning the aborted contract to implement a Revenues and Benefits system. The company has indicated that further invoices were also due and payable from Hart totalling approximately £120,000, which is being disputed. Whilst it would appear unlikely that this sum will be paid, it remains a possibility until such time as a settlement is reached with the supplier.

12. Current Liabilities (Creditors)

Creditors are analysed below –

	31.3.04 £000	31.3.05 £000
NNDR Payments in Advance	485	887
Council Tax Payments in Advance	523	535
Government Departments	0	455
Hampshire County Council	19	23
Grants for Government Initiatives	435	940
Sundry Creditors	1,574	2,068
	3,096	4,908

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 2004/05 transactions is shown below –

	2003/04 £000	2004/05 £000
Balance as at 1 April	229	169
DTLR Public Sector Renewal Grant	(16)	0
Release of Sports Council grant re Southwood pavilion	(10)	(11)
Release of CCTV grant to offset depreciation	(34)	(20)
Balance as at 31 March	169	138

14. Pensions

Note 9 (page 24) 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 2004	31 March 2005
Discount rate	6.4% pa	5.3% pa
Discount rate for pension cost	5.4% pa	5.3% pa
Rate of increase in salaries	4.4% pa	4.4% pa
Rate of increase in pensions in payment	2.9% pa	2.9% pa
Rate of inflation	2.9% pa	2.9% pa
Long-term expected rates of return on:		
Equities	7.7% pa	7.7% pa
Government Bonds	4.7% pa	4.7% pa
Property	6.7% pa	6.7% pa
Other assets	4.2% pa	4.8% pa
Corporate Bonds	5.5% pa	5.3% pa
Average long term expected rate of return	6.9% pa	6.9% pa

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

	31 March 2004 (£m)	31 March 2005 (£m)
Equities	1,344.73	1,463.32
Bonds	407.57	470.81
Property	70.84	84.83
Other	120.00	101.80
Total	1925.14	2,120.76

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Hampshire County Council Pension Fund as a whole at 31 March 2005 and 31 March 2004.

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

	31 March 2004 (£m)	31 March 2005 (£m)
Share of assets in the Fund	22.90	23.80
Estimated liabilities in the Fund	(32.39)	(39.98)
Hart District Council's deficit in the Fund	(9.49)	(16.18)

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 38 to 43.

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 2005, all the Council's net assets amounting to £27.678 million were employed by the General Fund (2004, £32.023 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 Account £000	Capital Financing Account £000	Surplus Provision for Credit Liabilities £000	Usable Capital Receipts Reserve £000	Earmarked Capital Reserves £000
Balances as at 1 April 2004	4,156	20,371	4,706	5,431	1,838
Net surplus/(deficit) for the year		(462)			
Value of assets disposed of					
Unrealised gains/(losses) on revaluation of fixed assets	1,391				
Proceeds from disposal of fixed assets.					
Other capital receipts & contributions				1,174	1,135
Interest					
Financing of capital expenditure		125	(1,258)	(215)	(148)
Balances as at 31 March 2005	5,547	20,034	3,448	6,390	2,825

Notes

1. Fixed Asset Restatement Account

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 Account was created when assets were restated in the 1994/95 Balance Sheet at current value. After this initial revaluation, the Account 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 Account is reduced by the net book value of those assets. The Account, therefore, reflects the true value of assets at the end of the financial year as compared to the beginning of the year. The Account is purely of an accounting nature and does not represent real cash resources that are available to fund future capital expenditure.

2. Capital Financing Account

The Capital Financing Account 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 Account records the following:

- (1) the amounts required being 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. £1.3m was used from this Reserve in 2004/05 to finance capital expenditure and the balance on the Reserve at 31 March 2005 was £3.4m.

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 2005 was £6.1m.

5. Earmarked Capital Reserves

As at the 31 March 2005, the Council also had the following reserves which are earmarked for specific capital schemes and projects –

	£000
S106 Developers Contributions (Leisure)	1,092
S106 Developers Contributions (Highways)	787
S106 Developers Contributions (Housing)	946

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	Building control Surplus 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 2004	1,932	0	1,380	1,322	376	(9,490)	(4,480)
Net Surplus/(Deficit) in the year	(33)	76		1,001			1044
Interest			65				65
Developers' contributions			116				116
Transfers/redistribut ions		29	(162)	(389)	(101)	(740)	(1,363)
Actuarial gains & losses relating to pensions						(5,950)	(5,950)
Balances as at 31 March 2005	1,899	105	1,399	1,934	275	(16,180)	(10,568)

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 year's revenue expenditure and to protect the Council against unexpected events. Further details of the General Fund Revenue Account can be found on page 20.

2. Building Control Surplus Fund

This reserve has been created in FY04/05 as a result of the requirement to ringfence all surpluses made regarding the building control function. This function is required to break even over a continuous/rolling 3 year accounting period, and surplus is not to be used against non service specific activity. The surplus will offset against future projected costs or reinvested in the quality of delivery of the building control service.

3. 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.

4. Collection Fund

Further details as to why the Council maintains this fund can be found on pages 27 to 29. The balance on the Fund as at 31 March 2005 was £1,934,000. Approximately 85% of this (£1,644,000) was due to Hampshire County Council and Hampshire Police Authority, leaving £290,000 available for this Council to reduce council tax bills in the future.

5. Specified Revenue Projects

This Fund was set up to ensure that where funding of one-off items had been budgeted in the 2004/05 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.

6. The Pensions Reserve

The movement in the net deficit for the year to 31 March 2005 is as follows:

	£m	£m
Net surplus at 1 April 2004		(9.49)
Movement in year:		
Operating Charge:		
Current service cost	(0.81)	
Past service costs	(0.06)	
Gain/loss on any settlements or curtailments	0.00	
Total Operating Charge		(0.87)
Contributions		0.64
Finance Income:		
Expected return on Pension Fund assets	1.54	
Interest on pension scheme liabilities	(2.05)	
Total Finance Income		(0.51)
Actuarial loss		(5.95)
Net deficit at 31 March 2005		(16.18)

The actuarial gains identified as movements on the Pensions Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

	Local Government Pension Scheme	
	£m	%
Differences between the expected and the actual return on assets	0.65	3.1
Differences between actuarial assumptions about liabilities and actual experience	0.61	2.9
Changes in the demographic and financial assumptions used to estimate liabilities	(7.21)	(34.0)
	<u>(5.95)</u>	
Comparative totals for 2003/04	2.48	

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

CASH FLOW STATEMENT

2003/04 £'000		2004/05 £'000
	Revenue Activities	
	Cash Outflows	
7,568	- Cash paid to and on behalf of employees	7,888
2,547	- Other operating cash payments	3,165
7,855	- Housing Benefits paid out	8,661
25,875	- NNDR payments to the National Pool	24,902
39,433	- Precepts paid	42,063
83,278		86,679
	Cash Inflows	
(785)	- Revenue Support Grant	(997)
(6,976)	- DWP subsidies for benefits	(8,855)
(785)	- Other government grants	(738)
(2,917)	- NNDR receipts from the National Pool	(2,294)
(109)	- Rents	(85)
(37,945)	- Council Tax receipts	(40,619)
(24,943)	- Non domestic rate receipts	(18,826)
(4,350)	- Cash received for goods and services	(5,501)
(2,394)	- Other operating cash receipts	(976)
(81,204)		(78,891)
2,074	Revenue Activities Net Cash Flow	7,788
	Returns on Investments & Servicing of Finance	
	Cash Outflows	
31	- Interest paid	485
	Cash Inflows	
(810)	- Interest received	(896)
	Capital Activities	
	Cash Outflows	
777	- Purchase of fixed assets	1,535
1,421	- Purchase of long term investments	555
1,557	- Other capital cash payments	522
	Cash Inflows	
(1,400)	- Sale of fixed assets	(638)
(93)	- Capital Grants Received	(560)
0	- Sale of long term investments	(13,230)
(1,269)	- Other capital cash receipts	(1,145)
2,288	Net cash (inflow)/outflow before financing	(5,584)
	Management of Liquid Resources	
(2,256)	Increase/(Decrease) in Short Term Deposits	6,180
32	Decrease in cash	596

NOTES TO THE CASH FLOW STATEMENT

2003/04		2004/05	
1. Reconciliation of revenue cash flow			
£'000		£'000	£'000
(499)	(Surplus)/Deficit on Consolidated Revenue Account		33
(572)	Collection Fund Surplus	(1,001)	
410	Collection Fund Distribution re Prior Years	332	
712	Interest included in income	735	
(31)	Interest included in expenditure	(485)	
(31)	Increase in Stock	17	
871	Increase/(Decrease) in Debtors	10,214	
1,828	(Increase)/Decrease in Current Liabilities	(1,747)	
(15)	Contributions	(243)	
(599)	Contributions from Other Provisions and Reserves	(67)	
			<u>7,755</u>
2,074	Revenue Activities Net Cash Flow		<u>7,788</u>
2. Cash and Net Funds			
Balance At 31/3/04		Balance At 31/3/05	Movement In Year
£'000	Net Funds	£'000	£'000
47	Cash In Hand and At Bank	9	(38)
2,470	Liquid Resources	8,650	6,180
2,517		8,659	6,142
12,675	Long Term Investments	0	(12,675)
15,192	Net Funds and Long Term Investments	8,659	(6,533)
3. Liquid Resources			
Balance At 31/3/04		Balance At 31/3/05	Movement In Year
£'000		£'000	£'000
2,470	Short Term Deposits	8,650	6,180
4. Analysis of Other Government Grants			
Balance At 31/3/04		Balance At 31/3/05	
£'000		£'000	
36	Defects Repurchases Loans	36	
70	Homelessness	53	
203	Community and Environmental Schemes	199	
34	Refuse and Street Cleansing	1	
95	Fraud Prevention	109	
297	Benefits Administration	298	
50	NNDR Discretionary Relief	42	
785		738	

CAPITAL EXPENDITURE for the year ended 31 March 2005

1. Expenditure in the year

The spending on capital projects and schemes in 2004/05 is shown in the statement below-

Fixed Assets	£000
- Community Alarms	2
- Hart Leisure Centre Improvements	14
- Frogmore Leisure Centre	2
- Harlington Centre Lift refurbishment.....	10
- Car Parks	38
- CCTV	7
- IT systems (general).....	100
- Replacement Revenues and Benefits finance systems	641
- HR System	3
- GIS System	163
- Civic Offices	7
- Vehicles and Equipment	405
- Economic Development	3
Total Fixed Assets	1,395
Deferred Charges	
- Land Drainage	37
- Home Improvement Grants	297
- Ridley Hall South Warnborough	10
- Hartley Wintney open space	4
- South Warnborough traffic calming	2
- Play Areas	87
- Church Rd Fleet - footway resurfacing	20
- Disability Discrimination	19
- Support Services	22
Total Deferred Charges	498
GRAND TOTAL OF ALL CAPITAL EXPENDITURE	1,893

2. Financing

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

	£000
Usable capital receipts	215
Application of Provision for Credit Liabilities	1,259
Grants and contributions	419
	1,893

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 2005, 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 31	1,368
Plus deferred charges (see above)	498
Other capital expenditure not resulting in enhancement of asset value	27
Total capital expenditure in 2004/05	1,893

INDEPENDENT AUDITOR'S REPORT TO HART DISTRICT COUNCIL

We have audited the statement of accounts on pages 20 to 45, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 16 to 19.

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 11 to 15 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 our opinion the statement of accounts present fairly the financial position of Hart District Council as at 31 March 2005 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: Date:

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.

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.

Golden Thread

The Council's Corporate aims and objectives should permeate through the whole organisation through a collection of Service plans and employees Performance and Development reviews to ensure all staff are aware of the part they have to play in order that these aims and objectives are brought to fruition.

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.

Intangible Fixed Assets (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.

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 that 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, the Hampshire Fire Authority and local parish/town councils, as well as Hart District Council itself.

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.