



**HART DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS  
2012/13**

<b>CONTENTS</b>	<b>PAGE</b>
Explanatory Foreword	I
Statement of Responsibilities	7
Financial Statements:	
Movement in Reserves Statement	8
Comprehensive Income and Expenditure Statement	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Financial Statements (Including Accounting Policies)	13
Collection Fund	84
Independent Auditor's Report and Opinion	87
Annual Governance Statement	90
Glossary of Terms	95
Index of Notes to the Financial Statements	100

## EXPLANATORY FOREWORD

---

### INTRODUCTION

The purpose of this foreword is to provide an easily understandable guide to these financial statements and to highlight the most significant features of the accounts for 2012/13.

Hart District Council provides a wide range of services to its council taxpayers. Spending is split between capital and revenue expenditure. Revenue expenditure is financed from council tax, government grants and contributions, and fees, charges and other income. Capital expenditure provides economic benefits lasting more than one year and is financed from loans, grants, capital receipts and revenue contributions. This statement sets out the financial performance of the Council for 2012/13 and its financial position at 31 March 2013.

The Accounts and Audit Regulations 2011 require that the responsible financial officer of the Council must, no later than 30th June immediately following the end of year, sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year.

### FINANCIAL STATEMENTS

The Council is required by law to complete its accounts in line with the Code of Practice on Local Authority Accounting ("the Code"). In theory, the Code ensures that all local authorities produce their accounts on a consistent basis, enabling comparisons. The Code represents an attempt by accounting regulators to reconcile accounting standards in general use within the UK with the statutory local government finance framework. This is not an easy marriage: there are material differences between what accounting rules state should be included in the accounts and what legislation states should be financed by a local authority and local council taxpayers.

Accordingly there are many entries, particularly within the Comprehensive Income & Expenditure Statements, which are included as notional items for presentational purposes, so that accounting standards are fulfilled, and then "reversed out" so that the bottom line financial performance is consistent with statutory requirements. The Code also requires expenditure on services to be categorised under standard headings that bear little relation to the actual organisation and structure of the Council.

The above can lead to a confusing picture if the core financial statements are taken at face value. Unfortunately, the Council has no discretion to depart from the prescribed format and content of those statements.

Further information on the main features of each of the financial statements is set out below.

Readers will notice that there are, in some instances, differences of £1,000 between figures in the main accounting statements and the supporting notes. This is due to rounding differences where, for example, a figure is rounded up to the nearest

## EXPLANATORY FOREWORD

---

£1,000 on the statement but down to the nearest £1,000 on the note. These rounding differences have no overall effect on the statements or the Council's financial position.

### Statement of Responsibilities

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

### Movement in Reserves Statement

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

### Comprehensive Income and Expenditure Statement

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

### Balance Sheet

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

## EXPLANATORY FOREWORD

---

### Cash Flow Statement

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

### Collection Fund

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

### Annual Governance Statement

The Annual Governance Statement is included alongside the accounting statements. It sets out the conclusions of the Council's review of internal control for 2012/13 as required by the Accounts and Audit Regulations and follows the guidance on best practice: *Delivering Good Governance in Local Government* issued by CIPFA in 2007. The Annual Governance Statement describes the Council's governance framework and reviews its effectiveness.

## **FINANCIAL PERFORMANCE**

This section provides a brief summary drawing attention to the main characteristics of the Council's financial performance in 2012/13 and its financial position as reported in the financial statements.

The Comprehensive Income and Expenditure Statement is prepared in accordance with the Service reporting Code of Practice (SeRCoP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and as a result we have to take our services and categorise accordingly.

During 2012/13 the General Fund Revenue account has been subject to regular and rigorous monitoring. Monthly reports provide a mechanism to analyse revenue and capital activity at all levels, providing detailed analyses from a Corporate, Group and individual Service level perspective.

Officers and Members kept a close eye on revenue expenditure and income during 2012/13.

This continued close scrutiny applied to the budgets and expenditure has led to an underspend in the year of £524k against a budgeted underspend of £242k.

## EXPLANATORY FOREWORD

---

The main areas of variance in the year are outlined below (figures in brackets represent a saving):

### **Community and Partnerships**

- Salary saving (£12k)
- Saving on Community Projects (£31k)

### **Corporate Services**

- Additional external audit costs as a result of a challenge £10k
- Additional costs in business support as a result of the new Idox software £91k
- New cash receipting system £60k
- Salary savings in the leadership team (£34k)
- Salary savings in business support (£29k)
- Various savings on IT (£28k)
- Lower superannuation costs (£34k)

### **Democratic Services**

- Additional printing costs £13k

### **Finance**

- Contract saving on revenues and benefits (£15k)
- Saving on expenditure/increased income within revenues and benefits (£32k)

### **Housing**

- Saving within homelessness spend (£56k)

### **Planning**

- Decreased building control income £125k
- Cost of core strategy policy £27k
- Development control salary savings (£33k)
- Building control salary savings (£23k)
- Development control additional fee income (£32k)

### **Technical Services**

- Estates management salary saving (£25k)
- Waste management reduction in costs (£57k)
- Saving on waste contract (£53k)
- Waste management saving on various supplies and services (£88k)
- Savings on new gas contract within Council buildings (£21k)
- Saving on street cleaning contract (£16k)

In addition to these an adjustment to the stated level of general reserves was required to reflect the proper accrual of some leisure and garden waste income. This does not involve the loss of any monies to the Council merely that some income has been historically accounted for in the wrong year leading to an overstatement of reserves.

When income is allocated in one year that is in respect of services provided in the following year, the income should be identified in the accounts as an accrual and accounted for in the year in which the services were provided. Failure to do so some years ago for some leisure and most garden waste income meant that reserves

## EXPLANATORY FOREWORD

were overstated in the year that the incorrect accounting treatment occurred; subsequent years were fine and the total reduction in general reserves as a result is £339k. No further adjustments will be required in future as all income is now accounted for in the correct year.

### CAPITAL BUDGET

The overall performance against the 2012/13 capital budget is shown in the table below:

<b>Area</b>	<b>Approved Budget £'000s</b>	<b>Actual Expenditure £'000s</b>	<b>Variance £'000s</b>
Corporate Management	425	43	(382)
Housing and Customer Services	744	420	(324)
Leisure and Environmental Promotion	429	407	(22)
Environmental Health	9	9	-
Technical Services	60	35	(25)
<b>Total capital programme</b>	<b>1,667</b>	<b>914</b>	<b>(753)</b>

The under spend of £753k was predominantly due to slippage on individual schemes. The programme was fully funded and most of these budgets will be available in 2013/14 to complete this work. The most significant under spends are against the following schemes:

- £382k CCTV control room at Rushmoor being built and completed in 2013/14
- £218k DFG expenditure lower than budget

The capital programme for 2012/13 was funded as follows:

<b>Financed by:</b>	<b>£'000s</b>
Useable Capital Receipts	175
Developers Contributions	142
Disabled Facilities Grant	282
Water Framework	265
Guildford Borough Council	50
<b>Total</b>	<b>914</b>

## EXPLANATORY FOREWORD

---

### COLLECTION FUND

The Collection Fund had a balance of £1,200k at the end of 2012/13. In accordance with regulations the surplus will be shared between the county council, the police authority, the fire authority and the district council. The district council's share of the surplus is estimated to be £60k. The Council will benefit from this surplus during 2013/14.

Turnover of the fund in respect of council tax in 2012/13 was £56.7m (£56.3m in 2011/12).

The Collection Fund and supporting notes can be found on page 84.

### PENSION LIABILITY

The application of International Accounting Standard (IAS) 19 has resulted in a pension liability of £31.968 million shown in the Balance Sheet, an increase of £3.312 million in the year. The main driver for this increase was an actuarial loss of £2.580 million.

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

Further details are set out in the Accounting Policies (Note 1) and Pension Note (Note 35).

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

The movement to the Fund is set out in more detail in note 35. The total liability has an impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains sound. The deficit on the scheme will be recovered through increased contributions over the remaining life of the employees as assessed by the actuary.

## STATEMENT OF RESPONSIBILITIES

---

This statement is given in respect of the Statement of Accounts 2012/13.

### **The Council's Responsibilities:**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance, Tony Higgins.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts by 30<sup>th</sup> September

**Councillor**

**Date**

**Chairman, Audit and Compliance Committee**

### **Chief Finance Officer Responsibilities**

I acknowledge my responsibility for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13: (the Code)*

In doing so, the following have been done:

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

I certify that the accounts present a true and fair view of the financial position of the Council and of its income and expenditure for the year ended 31 March 2013.

.....  
Tony Higgins – Head of Finance (s151 Officer)

# FINANCIAL STATEMENTS

## MOVEMENT IN RESERVES STATEMENT

2012/13	General Fund	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 31/03/2012</b>	<b>(2,635)</b>	<b>(2,316)</b>	<b>(3,375)</b>	<b>(1,554)</b>	<b>(9,881)</b>	<b>9,007</b>	<b>(874)</b>
<b>Movement in reserves during 2012/13</b>							
(Surplus) or deficit on the provision of services	480	-	-	-	480	-	480
Other Comprehensive Income and Expenditure	-	-	-	-	-	2,282	2,282
<b>Total Comprehensive Income and Expenditure</b>	<b>480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>480</b>	<b>2,282</b>	<b>2,762</b>
Adjustments between accounting basis and funding basis under Regulations	8 (838)	-	150	(356)	(1,044)	1,044	-
<b>Net (Increase)/ Decrease before transfers to Earmarked Reserves</b>	<b>(358)</b>	<b>-</b>	<b>150</b>	<b>(356)</b>	<b>(566)</b>	<b>3,326</b>	<b>2,762</b>
Transfers to/from Earmarked Reserves	9 47	(46)	-	(1)	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>(311)</b>	<b>(46)</b>	<b>150</b>	<b>(356)</b>	<b>(566)</b>	<b>3,326</b>	<b>2,762</b>
<b>Balance at 31/03/2013 carried forward</b>	<b>(2,947)</b>	<b>(2,363)</b>	<b>(3,225)</b>	<b>(1,911)</b>	<b>(10,446)</b>	<b>12,334</b>	<b>1,888</b>

# FINANCIAL STATEMENTS

## MOVEMENT IN RESERVES STATEMENT

2011/12		General Fund	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	Note	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 31/03/2011</b>		(2,211)	(1,653)	(3,563)	(1,654)	(9,081)	2,047	(7,034)
<b>Movement in reserves during 2011/12</b>								
(Surplus) or deficit on the provision of services		743	-	-	-	743	-	743
Other Comprehensive Income and Expenditure		-	-	-	-	-	5,417	5,417
<b>Total Comprehensive Income and Expenditure</b>		743	-	-	-	743	5,417	6,160
Adjustments between accounting basis and funding basis under Regulations	8	(1,831)	-	188	100	(1,543)	1,543	-
<b>Net (Increase)/ Decrease before transfers to Earmarked Reserves</b>		(1,088)	-	188	100	(800)	6,960	6,160
Transfers to/from Earmarked Reserves	9	663	(663)	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>		(424)	(663)	188	100	(800)	6,960	6,160
<b>Balance at 31/03/2012 carried forward</b>		(2,635)	(2,316)	(3,375)	(1,554)	(9,881)	9,007	(874)

**FINANCIAL STATEMENTS**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2011/12 (RESTATED)			2012/13			
Gross		Net	Gross		Net	
Expenditure £000's	Income £000's	Expenditure £000's	Expenditure £000's	Income £000's	Expenditure £000's	
<b>Continuing Operations</b>						
4,195	(3,365)	830	Central Services to the Public	4,388	(3,508)	880
5,597	(3,193)	2,404	Cultural and Related Services	5,529	(2,716)	2,813
6,642	(3,873)	2,769	Environmental and Regulatory Services	8,232	(5,652)	2,580
3,018	(2,095)	923	Planning Services	2,441	(1,367)	1,074
15,695	(13,896)	1,799	Other Housing Services	16,711	(15,676)	1,035
1,036	(18)	1,018	Corporate and Democratic Core	1,047	(26)	1,021
342	-	342	Non-Distributed Costs	239	0	239
<b>36,525</b>	<b>(26,440)</b>	<b>10,085</b>	<b>Surplus (-) or Deficit on Continuing Operations</b>	<b>38,587</b>	<b>(28,945)</b>	<b>9,642</b>
2,361	(237)	2,124	Other operating expenditure (Note 10)	2,256	(25)	2,231
3,023	(2,531)	492	Financing and investment income and expenditure (Note 11)	2,844	(2,244)	600
-	(11,958)	(11,958)	Taxation and non-specific grant income (Note 12)	0	(11,993)	(11,993)
<b>41,909</b>	<b>(41,166)</b>	<b>743</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>43,686</b>	<b>(43,206)</b>	<b>480</b>
		(395)	Surplus or deficit on revaluation of non-current assets			<b>(439)</b>
		12	Impairment losses on non-current assets charged to the revaluation reserve			<b>5</b>
		5,800	Actuarial gains (-) or losses on pension asset and liabilities			<b>2,580</b>
		-	Any other gains (-) or losses for the year			<b>135</b>
		<b>5,417</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>2,281</b>
		<b>6,160</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>2,761</b>

# FINANCIAL STATEMENTS

## BALANCE SHEET

01-Apr 2011 (Restated) £000's	31-Mar 2012 (Restated) £000's		Note	31-Mar 2013 £000's
192	189	Council Dwellings	13	185
14,155	18,461	Other Land and Buildings	13	18,260
5,495	356	Vehicles, Plant, Furniture and Equipment	13	294
28	214	Community Assets	13	520
277	295	Surplus Assets	13	288
-	40	Investment Properties	13/14	-
274	86	Intangible Assets	15	42
6	3	Long term debtors		1
<b>20,427</b>	<b>19,644</b>	<b>Long Term Assets</b>		<b>19,590</b>
8,687	9,091	Short term investments	16	8,691
25	4	Inventories		4
3,199	3,156	Short term debtors	17	7,215
880	3,409	Cash and cash equivalents	18	2,884
<b>12,791</b>	<b>15,660</b>	<b>Current Assets</b>		<b>18,794</b>
(1,000)	-	Short term borrowing		-
(2,622)	(5,679)	Short term creditors	19	(8,234)
<b>(3,622)</b>	<b>(5,679)</b>	<b>Current Liabilities</b>		<b>(8,234)</b>
(28)	(12)	Long term creditors	16	(4)
(63)	(83)	Lease Liability	34	(66)
(22,471)	(28,656)	Other long term liabilities	36	(31,968)
<b>(22,562)</b>	<b>(28,751)</b>	<b>Long Term Liabilities</b>		<b>(32,038)</b>
<b>7,034</b>	<b>874</b>	<b>Net Assets</b>		<b>(1,888)</b>
(9,081)	(9,881)	Usable reserves	20	(10,448)
2,047	9,007	Unusable reserves	21	12,336
<b>(7,034)</b>	<b>(874)</b>	<b>Total Reserves</b>		<b>1,888</b>

I certify that the accounts present a true and fair view of the financial position of the Council and of its income and expenditure for the year ended 31 March 2013.

.....

Tony Higgins, Head of Finance (S151 Officer)

# FINANCIAL STATEMENTS

## CASH FLOW STATEMENT

2011/12 £000's		2012/13 £000's
	Note	
742	Net (surplus) or deficit on the provision of services	<b>480</b>
(1,575)	Adjustments to net (surplus) or deficit on the provision of services	<b>(3,550)</b>
999	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	<b>1,005</b>
<b>166</b>	<b>Net cash flow from operating activities</b>	<b>(2,065)</b>
(236)	<b>Investing Activities</b>	<b>(1,199)</b>
(2,459)	<b>Financing Activities</b>	<b>3,789</b>
(2,529)	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>525</b>
880	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>3,409</b>
<b>3,409</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2,884</b>

# NOTES TO THE FINANCIAL STATEMENTS

---

## I. ACCOUNTING POLICIES

---

### General

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year ending 31st March 2013. The Authority is required to prepare an Annual Statement of Accounts by the Accounts & Audit (England) Regulations 2011. The Accounts are prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service Reporting Code of Practice.

### Format of the Accounts

The Accounts are comprised of 5 main statements as follows:

1. The Movement in Reserves Statement
2. The Comprehensive Income and Expenditure Account
3. The Balance Sheet
4. The Cash Flow Statement
5. The Collection Fund Statement

The first four Statements as detailed above comprise the Consolidated Financial Statements for the Council and are supported by a common set of Notes. The Collection Fund Statement is supported by its own set of Notes to the Accounts.

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

### Basis of Accounting

In general, except where specifically stated, the Statement of Accounts is prepared on an historic cost basis, i.e. expenditure is included on the basis of the price actually paid rather than any additional allowance being made for changes in the purchasing power of money, modified by the revaluation of Property, Plant & Equipment as detailed below.

The following accounting concepts have been applied in the preparing of the accounts:

## NOTES TO THE FINANCIAL STATEMENTS

---

- **Relevant:** The accounts are prepared so as to provide readers with information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions
- **Reliability:** The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques.
- **Comparable:** A consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has material effect on information, this has been disclosed.
- **Understanding:** Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms.
- **Materiality:** In using its professional judgement, the Council considers the size and nature of any transaction, or set of transactions. An item is considered material where its omission would reasonably change the substance of the financial disclosure.
- **Accruals:** The accounts are prepared on an income and expenditure basis with activity accounted for in the year it takes place rather than when cash payments are made or received. Sums due for goods or services received by the Council before 31st March 2013 are included in the accounts and recorded as creditors in the balance sheet. Similarly income due but not received by 31st March 2013 has been included as debtors in the balance sheet.
- **Going Concern:** The accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future.

The accounting policies that have been applied in the preparation of the 2012/13 financial statements and the 2011/12 equivalent statements are described in detail below.

## NOTES TO THE FINANCIAL STATEMENTS

---

### Accruals

All income and expenditure in the accounts has been accounted for on an accruals basis. This requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid. The only exception to this is the cash flow statement, which, in accordance with The Code of Practice requirements, is prepared on a receipts and payments basis.

- Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- Supplies are recorded as expenditure when they are consumed- where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for income that might not be collected.

### Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Council and these benefits can be measured reliably.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

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

## NOTES TO THE FINANCIAL STATEMENTS

---

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

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

### **Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the revenue grants or contributions will be received

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

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

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

### **Transferred Operations**

Operations transferred to or from other local authorities are treated as Continuing Operations as they continue to be provided by local government as a whole. There were no such transfers during 2012/13.

## NOTES TO THE FINANCIAL STATEMENTS

---

### **Cash and Cash Equivalents**

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Council's financial performance.

### **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

### **Overheads and Support Services**

The costs of the Council's overheads and support services are fully charged to those that benefit from the supply or service, substantially in accordance with CIPFA's *Service Reporting Code of Practice* (SeRCOP). Charges are based on various measurements, the most significant being time allocations for most officers, floor area for administrative buildings and facility usage for computer services. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

## NOTES TO THE FINANCIAL STATEMENTS

---

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed costs - cost of discretionary benefits awarded to employees retiring early (see Pensions Costs below), and any depreciation and impairment losses chargeable on Assets Held For Sale.

These two categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits, council tax income and financial instruments. They do not represent usable resources for the Council. These reserves are explained in the relevant policies, but in summary:

- The Revaluation Reserve and Capital Adjustment Account are capital reserves; they do not represent usable resources for the Council.
- The Capital Receipts Reserve is not available for revenue purposes; it is only available for capital purposes.
- The Pensions Reserve is a non-distributable reserve reflecting the net liability on the Council's proportion of the assets and liabilities in the pension scheme.
- The Financial Instruments Adjustment Account is a non-distributable reserve maintained to manage the accounting and statutory requirements of financial instruments.
- The Collection Fund Adjustment Account is a reserve required to maintain the difference between the amount of council tax income determined under IFRS and the amount required to be credited to the General Fund under statute.
- The Accumulated Absences Reserve is required to maintain the difference between employee benefits charged to the General Fund under IFRS and those that are charged under statute.

## NOTES TO THE FINANCIAL STATEMENTS

---

### **Property, Plant and Equipment**

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

#### *Recognition*

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council has set a de minimis level in respect of the recognition of capital expenditure of £5,000.

#### *Measurement*

Items of property, plant and equipment are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the exchange transaction has no commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

Assets are then carried in the Balance Sheet using the following measurement bases:

## NOTES TO THE FINANCIAL STATEMENTS

---

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV)

Where there is no market based evidence of fair value because of the specialist nature of the asset depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets that have short useful lives or low values (or both) depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

### *Impairment*

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

Where impairment losses are identified, they are accounted for by:

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

## NOTES TO THE FINANCIAL STATEMENTS

---

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### *Depreciation*

Depreciation is provided for on all Property Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction)

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation usually over 5-7 years
- infrastructure – straight line allocation usually over 20 years

Where a Property, Plant and Equipment asset has a major component whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

### Component accounting

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they will be recognised separately. The de-minimis threshold for Hart District Council is a current net book value of £200k. Individual assets with a value less than £200k will be disregarded for componentisation. This level will be reviewed annually.

To be separately identified as a component, an element of an asset must meet the following criteria:

- have a cost of at least 20% of the cost of the overall asset and
- have a materially different useful life (at least 20% different) and/or
- have a different depreciation method that materially affects the amount charged

Land and Buildings will be componentised between the two elements where this has not already been done, subject to the de-minimis level being considered.

A component can either be part of an individual structure, such as roofs, windows, heating systems or a complete building where many buildings are held as a single asset such as the Council offices.

## NOTES TO THE FINANCIAL STATEMENTS

---

Where individual assets are beneath the de-minimis threshold but collectively are above, they should be considered for componentisation where they are generally treated together elsewhere.

Where components are identified, they will be set up separately in the asset register and have individual values, useful lives and depreciation methods recorded.

The componentisation policy will be applied to new capital spend and new assets with a total cost of over £200k will be considered under the componentisation policy as follows:

- when an asset is enhanced, the cost of the replacement component is compared with the cost of the total asset and the result is measured against the agreed de-minimis threshold,
- When an asset is acquired: the cost of any component parts are compared with the overall cost of the new asset and the results assessed against the agreed de-minimis threshold,

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

### **Disposals and Non-current Assets Held For Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held For Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held For Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income

## NOTES TO THE FINANCIAL STATEMENTS

---

and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement

### **Charges to revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Leases and Lease Type Arrangements**

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. An operating lease is a lease other than a finance lease.

Land and buildings elements of a lease are considered separately for the purposes of a lease classification.

Where an arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset it will be assessed whether such an

## NOTES TO THE FINANCIAL STATEMENTS

---

arrangement is a lease or contains leases. Such leases will be assessed as being finance or operating in accordance with this accounting policy.

### *The Council as Lessee*

#### Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception (or, if lower, the present value of the minimum lease payments). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than its estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising from leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating Leases

Rentals paid under an operating lease are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the lease term even if this does not match the pattern of payments.

### *The Council as Lessor*

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income

## NOTES TO THE FINANCIAL STATEMENTS

---

and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by payments of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of the fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

Where the Council grants an operating lease over a property or item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### Investment Property

An investment property is one that is used solely to earn rentals or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment property is initially measured at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Any gain or loss arising from a

## NOTES TO THE FINANCIAL STATEMENTS

---

change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received are credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

### **Intangible Assets**

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and it is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of assets held by the Council can be determined by reference to an active market. In practice, no intangible assets held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising from disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## NOTES TO THE FINANCIAL STATEMENTS

---

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of such expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on council tax.

The value of REFCUS in 2012/13 was £518k (2011/12 £984k).

### **Borrowing Costs**

All borrowing costs are recognised as an expense as they are incurred.

### **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **Employee Benefits**

#### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render the service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the service area lines in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

## NOTES TO THE FINANCIAL STATEMENTS

---

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

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

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

- The liabilities of the HCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employees turnover rates etc and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% based on the indicative rate of return on high quality corporate bond (gross redemption yield on the iboxx Sterling Corporates Index, AA over 15 years).
- The assets of the HCC pension fund attributable to the Council are included in the balance sheet at their fair value:
  - Quoted securities-current bid price
  - Unquoted securities-professional estimate
  - Unitised securities-current bid price
  - Property-market value
- The change in the net pensions liability is analysed into seven components:
  - Current service cost-the increase in liabilities as a result of years of service earned for the year-allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
  - Past service cost-the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years-debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Interest cost-the expected increase in the present value of liabilities during the year as they move closer to being paid-debited to Financing

## NOTES TO THE FINANCIAL STATEMENTS

---

- and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected return on assets-the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return-credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - Gains/losses on settlements and curtailments-the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual benefits of employees-debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
  - Actuarial gains and losses-changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions-debited to the Pensions Reserve
  - Contributions paid to the HCC pension fund-cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated in accordance with the relevant standards. This means that in the Movement in Reserve Statement there are appropriations to or from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

### **Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect,

## NOTES TO THE FINANCIAL STATEMENTS

---

disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the authorisation for issue are not reflected in the Statement of Accounts.

### Financial Assets

Financial assets are classified into three types:

- Loans and receivables-assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets-assets that have a quoted market price and/or do not have fixed or determinable payments
- Financial instruments at Fair Value through Profit or Loss

*Loans and receivables* are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any accrued interest and interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of renovation loans to home owners at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan on the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year-the reconciliation of the amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

## NOTES TO THE FINANCIAL STATEMENTS

---

Any gains/losses that arise from the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

*Available for sale assets* and financial instruments at fair value through profit or loss are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained on the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted fixed prices-the market price
- Other instruments with fixed or determinable payments-discounted cash flow analysis
- Equity shared with no quoted market price-independent appraisal of company valuations

Changes in the fair value of Available for Sale Assets are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred-these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available for Sale Reserve.

Changes in the fair value of Financial Instruments at Fair Value through profit or loss are recognised in full in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available-for-Sale Reserve.

## NOTES TO THE FINANCIAL STATEMENTS

---

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **Financial Liabilities**

Financial liabilities are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, plus any accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early resettlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Provisions, contingent liabilities and contingent assets**

#### Provisions

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

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

## NOTES TO THE FINANCIAL STATEMENTS

---

When payments are made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the position is reversed and credited back to the relevant service revenue account.

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

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not included in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Provisions for Impairment of Bad and Doubtful Debts (loans and receivables)**

The carrying amount of debtors is adjusted for doubtful debts, which are provided for, and known uncollectable debts are written off. This basis of provision is dependent upon the nature of the debt and for sundry debts takes into account material amounts that are settled in the first month of the financial year.

For sundry debtors and recovery of benefit overpayments (excluding benefit overpayments recovered from ongoing entitlement) the following provision is made:

Debts of between 91 and 180 days:	50%
Debts of over 181 days old:	100%

A 31% provision for bad debts is made for recovery of benefit overpayments from ongoing benefit entitlement.

## NOTES TO THE FINANCIAL STATEMENTS

---

### Council Tax and NNDR:

Provision is as follows:

Debt of up to 1 year:	5%
Debt up to 2 years:	25%
Debt up to 3 years:	40%
Debt up to 4 years:	50%
Debt up to 5 years:	75%
Debt up to 6 years:	90%
Debt over 6 years:	100%

### Value Added Tax

Value added tax is included in income and expenditure accounts only to the extent that it is irrecoverable.

### Capital Receipts

The receipt arising from the disposal of an asset will be classed as a capital receipt, to be used to finance capital expenditure, if it is greater than £10,000. If the receipt falls below this threshold it will fall to the income and expenditure account, in accordance with the Local Government Act 2003.

### Heritage Assets

These are defined as assets which have historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution for knowledge and culture. Heritage Assets include historical buildings, historic motor vehicles, civic regalia, museum and gallery collections and works of art

For the year ending 31 March 2013, the Council does not hold any Heritage Assets.

## 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

---

The following are the accounting standards that have been issued but as yet have not been adopted by the Council (as they are not due for adoption within these statements) as at the balance sheet date:

- **IAS 1 Presentation of Financial Statements** - A possible regrouping of items currently disclosed within "Other Comprehensive Income & Expenditure" to "(Surplus)/Deficit in the Provision of Services"; including items where a profit/loss might occur at some future point. The main impact of this change will be on the available for sale financial assets under IFRS 9. It is expected that this will have a marginal impact on the Council.

## NOTES TO THE FINANCIAL STATEMENTS

---

- **IAS13 Fair Value Measurement** - This will introduce a more consistent definition for measurements of assets or liabilities that will be held at fair value: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This revised definition will apply when other standards require an assessment under fair value and all fair value assessments from 2013/14 onwards will be undertaken on this basis.
- **IAS 19 Employee Benefits** - The removal of 'gain/loss on recognition', but this is rarely used or permitted within the UK, thus it is expected that this will not apply to the Council. In addition, there will be the introduction of a "recognition point" in respect of Termination Benefits whereby the Council will not be able to withdraw an offer, it is expected that this will apply.
- **IFRS 7 Financial Instruments Disclosures** - There will be a new set of disclosures that will have the aim of assisting readers of the accounts in the netting arrangements for Financial Instruments that occurs within the Balances Sheet. It is expected that this will be introduced by the Council.

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

---

In applying the accounting policies set out in Note I, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- **Future Funding.** There continues to be a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities.
- **Classification of Leases.** The Council has undertaken an exercise to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and additional assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.
- **Contracts or other arrangements which may include a Lease.** Under International Financial Reporting Standards the Council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific assets and which therefore are considered to contain a lease. The accounting policy for leases has been applied to these arrangements (where they have been identified) to determine whether the lease contained within them is a finance or an operating lease and as a result additional assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council may be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £15,466 for every year that useful lives had to be reduced.</p>
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability for funded LGPS benefits of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £5.10m.</p> <p>However, the assumptions interact in complex ways. During 2012 / 2013, the Authority's actuaries advised that the net pensions liability for funded LGPS benefits had decreased by £0.12m as a result of estimates being revised and increased by £5.39m attributable to updating of the assumptions.</p>
Arrears	At 31 March 2013, the Council had a balance of debtors for £7,405k. A review of significant balances suggested that an impairment of doubtful debts of 5.9% (£436k) was appropriate. However, in the current economic climate it is not certain whether such an allowance may be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £436k to set aside as an allowance

## NOTES TO THE FINANCIAL STATEMENTS

### 5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Council incurs a significant proportion of its spend on benefit payments, which is funded predominantly by government grant. The following amounts were incurred within the Comprehensive Income and Expenditure Statement on benefit payments.

2011/12			2012/13		
Gross Expenditure £000's	Income £000's	Net Expenditure £000's	Gross Expenditure £000's	Income £000's	Net Expenditure £000's
					<b>Central Services to the Public</b>
3,747	(3,266)	481	2,971	(3,073)	(102)
					<b>Other Housing Services</b>
13,696	(13,483)	233	14,261	(14,176)	85
					Housing Benefit

### 6. EVENTS AFTER THE BALANCE SHEET DATE

The date that the accounts were authorised for audit was the date that the S151 Officer signed the Statement of Responsibilities on page 7. That date was 27 June 2013. Events after the balance sheet date (31 March 2013) have only been considered up to the authorisation date.

Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The Council only had one material item for consideration in 2012/13:

- New arrangements for the retention of business rates come into effect on 1 April 2013. The liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, will be shared in proportion to the share of NNDR attributable to each preceptor. This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the Council as Billing Authority, but would have been transferred to Central Government. Under the new arrangements the Council's share of the appeals refunds will be 40 percent which is estimated to be £698k as at 1 April 2013. From 1 April 2013 the Council will need to provide for this amount. As the legislation does not come into force until the 1 April 2013 this has been treated in the accounts for the year ending 31 March 2013 as a non adjusting post balance sheet event.

### 7. PRIOR PERIOD ADJUSTMENTS

The Council identified an area in which the treatment of tangible asset impairments needed to be accounted for differently as part of the adoption of International

## NOTES TO THE FINANCIAL STATEMENTS

Financial Reporting Standards (IFRS). Assets that have had impairments previously charged to the CI&ES and then subsequently increase in value, can reverse the original impairment in the CI&ES before generating a revaluation reserve balance. Minor non material adjustments have also been made to some depreciation charges.

The Council has since reviewed its final accounts systems and processes and has made appropriate changes and introduced additional controls to ensure that such events are unlikely to recur. However, this has meant that the provision of service analysis in the CI&ES has been overstated in 2011/12 by amounts totalling to net £0.097 million and the surplus on revaluation of non-current assets to be mis-stated in 2011/12 by £0.097 million. The net of which has a zero effect on the Total Comprehensive Income and Expenditure.

In order to correct this error, the Council has restated the prior year information for 2011/12 in each of the following reported lines in the CI&ES. The following are the relevant extracted lines from the CI&ES. The CI&ES with appropriate restatement for 2011/12 can be found on page 10 of these statements. The effect on the Comprehensive Income and Expenditure Statement 2011/12 is:

	Originally Stated Net Expenditure £000's	Restated Net Expenditure £000's	Movement in Net Expenditure £000's
<b>Continuing Operations</b>			
Central Services to the Public	830	830	-
Cultural and Related Services	2,501	2,404	(97)
Environmental and Regulatory Services	2,769	2,769	-
Planning Services	923	923	-
Other Housing Services	1,799	1,799	-
Corporate and Democratic Core	1,018	1,018	-
Non-distributed Costs	342	342	-
<b>Surplus (-) or Deficit on Continuing Operations</b>	<b>10,182</b>	<b>10,085</b>	<b>(97)</b>
<b>Surplus (-) or Deficit on Provision of Services</b>	<b>840</b>	<b>743</b>	<b>(97)</b>
Surplus or deficit on revaluation of non-current assets	(492)	(395)	97
Impairment losses on non-current assets charged to the revaluation reserve	12	12	-
Actuarial gains (-) or losses on pension assets and liabilities	5,800	5,800	-
<b>Other Comprehensive Income and Expenditure</b>	<b>5,320</b>	<b>5,417</b>	<b>97</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>6,160</b>	<b>6,160</b>	<b>-</b>

The table below demonstrates the effects on the following line items in the Balance Sheet for the financial years 2010/11 and 2011/12. The restated (for the relevant line items) prior period Balance Sheet is provided with the current year information on

## NOTES TO THE FINANCIAL STATEMENTS

pages 10 and 11 of the financial statements. The effect on line items in the Balance Sheet 31 March 2011 and 31 March 2012 is:

	Originally Stated 2010/11 £000's	Restated 2010/11 £000's	Amount of Restatement 2010/11 £000's	Originally Stated 2011/12 £000's	Restated 2011/12 £000's	Amount of Restatement 2011/12 £000's
<b>Usable Reserves</b>	(9,081)	(9,081)	-	(9,881)	(9,881)	-
<b>Unusable Reserves</b>						
Capital Adjustment Account	(18,814)	(19,193)	(379)	(18,008)	(18,091)	(83)
Revaluation Reserve	(1,486)	(1,107)	379	(1,519)	(1,436)	83
Deferred Capital Receipts Reserve	(5)	(5)	-	(4)	(4)	-
Collection Fund Adjustment Account	(183)	(183)	-	(183)	(183)	-
Accumulated Absences Account	64	64	-	65	65	-
Pension Reserve	22,471	22,471	-	28,656	28,656	-
	<b>2,047</b>	<b>2,047</b>	<b>-</b>	<b>9,007</b>	<b>9,007</b>	<b>-</b>
<b>Total Reserves</b>	<b>(7,034)</b>	<b>(7,034)</b>	<b>-</b>	<b>(874)</b>	<b>(874)</b>	<b>-</b>

The following restatement was also required for the Movement in Reserves Statement for both Usable and Unusable Reserves. The restated (for the relevant line items) prior period Movement in Reserves Statement is provided with the current year information contained on pages 8 and 9 of the financial statements.

	Usable Reserves			Unusable Reserves		
	Originally Stated 2011/12 £000's	Restated 2011/12 £000's	Amount of Restatement 2011/12 £000's	Originally Stated 2011/12 £000's	Restated 2011/12 £000's	Amount of Restatement 2011/12 £000's
<b>Balance at the end of the previous reporting period 31 March 2011</b>	9,081	9,081	-	(2,047)	(2,047)	-
(Surplus) or deficit on the provision of services	(840)	(743)	97	-	-	-
Other Comprehensive Income and Expenditure	-	-	-	(5,320)	(5,417)	(97)
<b>Total Comprehensive Income and Expenditure</b>	<b>(840)</b>	<b>(743)</b>	<b>97</b>	<b>(5,320)</b>	<b>(5,417)</b>	<b>(97)</b>
Adjustments between accounting basis and funding basis under Regulations	1,640	1,543	(97)	(1,640)	(1,543)	97
<b>(Increase)/Decrease in Year</b>	<b>1,640</b>	<b>1,543</b>	<b>(97)</b>	<b>(1,640)</b>	<b>(1,543)</b>	<b>97</b>
<b>Balance at the end of the current reporting period 31 March 2012</b>	<b>9,881</b>	<b>9,881</b>	<b>-</b>	<b>(9,007)</b>	<b>(9,007)</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2012/13	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	(776)	-	-	776
Revaluation losses on Property, Plant and Equipment	(119)	-	-	119
Amortisation of intangible assets	(44)	-	-	44
Capital grants and contributions applied	697	-	(697)	-
Revenue expenditure funded from capital under statute	(518)	-	-	518
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Statutory provision for the financing of capital expenditure	38	-	-	(38)
Capital expenditure charged against the General Fund	116	-	(116)	-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	282	-	(282)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	740	(740)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of cash sale proceeds credited to as part of the gain/loss on disposal to the Comprehensive Income and	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

2012/13	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
<b>Expenditure Statement</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	175	-	(175)
Contribution from the Capital Receipts Reserve to finance the payment to the Government capital receipts pool	(1)	1	-	-
Capital Receipts from Third Party Assets	25	(25)	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1)	-	1
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 35)	(1,460)	-	-	1,460
Employer's pensions contributions and direct payments to pensioners payable in the year	864	-	-	(864)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	60	-	-	(60)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)	-	-	2
<b>Total Adjustments</b>	<b>(838)</b>	<b>150</b>	<b>(356)</b>	<b>1,044</b>

## NOTES TO THE FINANCIAL STATEMENTS

2011/12 Comparatives	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	(1,068)	-	-	1,068
Revaluation losses on Property, Plant and Equipment	(102)	-	-	102
Amortisation of intangible assets	(188)	-	-	188
Capital grants and contributions applied	681	-	(681)	-
Revenue expenditure funded from capital under statute	(984)	-	-	984
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(132)	-	-	132
Statutory provision for the financing of capital expenditure	33	-	-	(33)
Capital expenditure charged against the General Fund	-	-	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	55	-	(55)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	836	(836)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of cash sale proceeds credited to as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	261	(261)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	448	-	(448)

## NOTES TO THE FINANCIAL STATEMENTS

2011/12 Comparatives	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Contribution from the Capital Receipts Reserve to finance the payment to the Government capital receipts pool	(1)	1	-	-
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 35)	(1,300)	-	-	1,300
Employer's pensions contributions and direct payments to pensioners payable in the year	915	-	-	(915)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)	-	-	2
<b>Total Adjustments</b>	<b>(1,831)</b>	<b>188</b>	<b>100</b>	<b>1,543</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 9. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Balance at 31 March 2011	Transfers In 2011/12	Transfers Out 2011/12	Balance at 31 March 2012	Transfers In 2012/13	Transfers Out 2012/13	Balance at 31 March 2013
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Homelessness	12	299	-	311	-	(10)	301
CA Reviews	7	-	(7)	-	-	-	-
Technical Clothing	4	-	(4)	-	-	-	-
C&P Funding	33	-	(33)	-	-	-	-
CLG Funding	48	-	(48)	-	-	-	-
New Burdens	17	-	(17)	-	-	-	-
Habitat Regulations	34	-	(34)	-	-	-	-
Tree Surgery Works	-	-	-	-	9	-	9
Buy Noise equipment	-	-	-	-	3	-	3
Spend on Gladstone	-	-	-	-	9	-	9
Waste Promotions	-	-	-	-	24	-	24
Community Reserve	78	1	-	79	-	-	79
Olympic Event / Roundabout Sponsorship	14	-	-	14	-	-	14
HART Road Safety Campaign	-	-	-	-	1	-	1
Health Contribution	-	-	-	-	101	-	101
Dilly Lane - SANG	-	172	-	172	-	-	172
Dilly Lane - CS	-	51	-	51	-	-	51
SAMM	1	105	(6)	100	-	(100)	-
Hawley Meadows SANG	-	60	(38)	22	-	(22)	-
Open Spaces	840	-	(105)	735	-	(25)	710
Interest Reserve	228	27	-	255	-	(255)	-
Hitched Lane SANG	337	241	-	578	313	-	891
<b>Total Earmarked Reserves</b>	<b>1,653</b>	<b>955</b>	<b>(292)</b>	<b>2,316</b>	<b>459</b>	<b>(412)</b>	<b>2,363</b>

Earmarked Reserves are set aside for specific purposes. An explanation of each with a balance of over £25k at 31 March 2013 is given below:

**Homelessness Reserve:** This is a fund built up to facilitate the provision of services to homeless people in the District. In addition a grant of £299k was received in 2011/12 to fund county-wide homelessness projects.

## NOTES TO THE FINANCIAL STATEMENTS

Community Reserve:	This reserve is used to fund a number of projects within this service area
Health Contribution:	Health Contribution in respect of QEB (Queen Elizabeth Barracks)
Hitches/Dilly Ln SANG:	Developers contribution to provide Suitable Alternative Natural Green (SANG) spaces.
Dilly Lane CS:	Commuted Sums
Open Spaces:	This reserve holds developers contributions towards the maintenance of Elvetham Heath.

### 10. OTHER OPERATING EXPENDITURE

2011/12		Exp	Inc	Total
Total		£'000	£'000	£'000
2,227	Parish Precepts	2,255	-	2,255
1	Payments to the Government Housing Capital Receipts Pool	1	-	1
-	Capital Receipts on third party assets	-	(25)	(25)
(104)	Gains or losses on the disposal of non current assets	-	-	-
2,124		2,256	(25)	2,231

### 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12		Exp	Inc	Total
Total		£'000	£'000	£'000
3	Interest payable and similar charges	4	-	4
3,020	Pension interest cost	2,840	-	2,840
(2,300)	Expected return on pension asset	-	(2,030)	(2,030)
(231)	Interest receivable and similar income	-	(214)	(214)
492		2,844	(2,244)	600

### 12. TAXATION AND NON SPECIFIC GRANT INCOMES

2011/12		2012/13
£000's		£000's
(8,103)	Council tax income	(8,186)
(2,262)	Non domestic rates	(2,561)
(1,329)	Non-ring fenced government grants	(821)
(264)	Capital grants and contributions	(425)
(11,958)		(11,993)

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT AND EQUIPMENT

(i) Measurement:

Vehicle, Plant and Equipment and community assets are included at depreciated historic cost.

All other assets are included at fair value.

The Council carries out a rolling programme of valuation that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. Valuations were carried out by an external valuer, Capita Symonds in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	-	777	3,584	-	<b>4,361</b>
<b>Valued at Fair Value as at:</b>					
31 Mar 2013	-	923	-	-	<b>923</b>
31 Mar 2012	-	1,235	-	24	<b>1,259</b>
31 Mar 2011	-	12,790	-	-	<b>12,790</b>
31 Mar 2010	195	60	-	-	<b>255</b>
31 Mar 2009	-	3,471	-	290	<b>3,761</b>
<b>Total Cost or Valuation</b>	<b>195</b>	<b>19,256</b>	<b>3,584</b>	<b>314</b>	<b>23,348</b>

Other Land and Buildings – were valued on the basis of open market value for their existing use or, where this could not be assessed because there was no market for an asset, the depreciated replacement cost.

(ii) Depreciation

Depreciation is provided for on all non-current assets with a finite useful life, which can be determined at the time of acquisition or revaluation. Depreciation is based on the asset value included in the balance sheet. The straight line method of calculation is used. Depreciation is not provided for freehold land. Newly acquired assets are depreciated from the following year.

Depreciation is calculated on the following bases:

## NOTES TO THE FINANCIAL STATEMENTS

---

- \* dwellings and other land and buildings – straight line allocation over the life of the property as estimated by the valuer
- \* vehicles, plant and equipment – straight line allocation usually over 5 or 7 years

(iii) Contractual Commitments

There are currently no material contractual commitments in respect of capital expenditure

## NOTES TO THE FINANCIAL STATEMENTS

2012/13 Movement	Council Dwelling £'000	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Cost or Valuation</b>						
At 1 <sup>st</sup> April 2012	195	18,874	3,596	238	314	23,217
Additions	-	26	119	310	-	455
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	396	-	-	-	396
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services*	-	(119)	-	-	-	(119)
De-recognition – disposals	-	-	(93)	-	-	(93)
De-recognition – other	-	-	-	-	-	-
Reclassification	-	79	(39)	-	-	40
<b>At 31 March 2013</b>	<b>195</b>	<b>19,256</b>	<b>3,583</b>	<b>548</b>	<b>314</b>	<b>23,896</b>
<b>Depreciation and Impairment</b>						
<b>At 1<sup>st</sup> April 2012</b>	<b>(6)</b>	<b>(412)</b>	<b>(3,240)</b>	<b>(23)</b>	<b>(19)</b>	<b>(3,703)</b>
Depreciation charge for the year	(4)	(621)	(143)	(4)	(7)	(779)
De-recognition – disposals	-	-	93	-	-	93
Depreciation written out to Revaluation Reserve	-	38	-	-	-	38
De-recognition – other	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
<b>At 31<sup>st</sup> March 2013</b>	<b>(10)</b>	<b>(995)</b>	<b>(3,290)</b>	<b>(27)</b>	<b>(26)</b>	<b>(4,351)</b>
<b>Balance Sheet amount at 31 March 2013</b>	<b>185</b>	<b>18,261</b>	<b>293</b>	<b>521</b>	<b>288</b>	<b>19,545</b>
Balance Sheet amount at 1 April 2012	189	18,462	356	214	295	19,514

## NOTES TO THE FINANCIAL STATEMENTS

2011/12 Movement Comparative	Council Dwelling £'000	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Cost or Valuation</b>						
At 1 <sup>st</sup> April 2011	195	18,993	4,986	103	290	24,567
Additions	-	114	25	187	-	326
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	78	-	-	(41)	37
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(70)	-	-	(136)	(206)
De-recognition – disposals*	-	-	(1,415)	(52)	-	(1,467)
De-recognition – other	-	-	-	-	-	-
Reclassification	-	(241)	-	-	201	(40)
<b>At 31 March 2012</b>	<b>195</b>	<b>18,874</b>	<b>3,596</b>	<b>238</b>	<b>314</b>	<b>23,217</b>
<b>Depreciation and Impairment</b>						
At 1 <sup>st</sup> April 2011	(3)	(239)	(4,090)	(75)	(13)	(4,420)
Depreciation charge for the year	(3)	(616)	(433)	(1)	(6)	(1,061)
De-recognition – disposals	-	-	1,283	52	-	1,335
Depreciation written out to Revaluation Reserve	-	399	-	-	44	443
De-recognition – other	-	-	-	-	-	-
Reclassification	-	44	-	-	(44)	-
<b>At 31<sup>st</sup> March 2012</b>	<b>(6)</b>	<b>(412)</b>	<b>(3,240)</b>	<b>(23)</b>	<b>(19)</b>	<b>(3,703)</b>
<b>Balance Sheet amount at 31 March 2012</b>	<b>189</b>	<b>18,462</b>	<b>356</b>	<b>214</b>	<b>295</b>	<b>19,514</b>
Balance Sheet amount at 1 April 2011	192	18,754	896	28	277	20,147

\* Includes £1.4m disposals to Veolia

## NOTES TO THE FINANCIAL STATEMENTS

### 14. INVESTMENT PROPERTIES

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Hart does not hold any Investment Properties as at 31 March 2013.

Investment properties are measured at fair value, with gains and losses recognised in the Comprehensive Income and Expenditure Statement rather than through the Revaluation Reserve.

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

2011/12 £000's	2012/13 £000's
- Balance at start of year	40
- Net losses from fair value adjustments	-
40 Transfers( to)/from Property, Plant and Equipment	(40)
- Other changes	-
40 Balance at the end of the year	-

### 15. INTANGIBLE ASSETS AND IMPAIRMENT LOSSES

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

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

- Cedar: 5 years
- IBS: 5 years
- Capita/CEDAR Consultancy: 5 years

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £44k charged to revenue in 2012/13 was charged to the IT and Finance Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

## NOTES TO THE FINANCIAL STATEMENTS

2011/12 £000's		2012/13 £000's
	Balance at start of year :	
2,193	Gross carrying amounts	2,193
(1,919)	Accumulated amortisation	(2,107)
274	Net carrying amount at start of year	86
	Additions:	
0	Purchases	
(188)	Amortisation for the period	(44)
86	Net carrying amount at end of year	42
	Comprising:	
2,193	Gross carrying amount	2,193
(2,107)	Accumulated amortisation	(2,151)
86		42

There are no material contractual commitments in respect of the acquisition or enhancement of intangible assets.

### *Impairment Losses*

Disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure are consolidated in Notes 13 and 15, reconciling the movement during the year in the Property, Plant and Equipment and Intangible Asset balances. There were no impairment losses in 2012/13.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. FINANCIAL INSTRUMENTS

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

Balance at 31 <sup>st</sup> March	Long Term			Short Term		
	2011 £000's	2012 £000's	2013 £000's	2011 £000's	2012 £000's	2013 £000's
<i>Investments:</i>						
Loans and receivables	-	-	-	8,687	8,000	<b>8,500</b>
Financial Assets at Fair Value through profit and loss	-	-	-	-	1,000	-
<b>Total Investments</b>	-	-	-	8,687	9,000	<b>8,500</b>
<i>Debtors:</i>						
Loans and receivables	6	3	1	1,015	2,598	<b>3,842</b>
<b>Total Debtors</b>	6	3	1	1,015	2,598	<b>3,842</b>
<i>Cash and Cash Equivalents</i>						
Loans and Receivables	-	-	-	880	3,409	<b>2,884</b>
<b>Total Cash and Cash Equivalents</b>	-	-	-	880	3,409	<b>2,884</b>
<i>Borrowings:</i>						
Loans and Receivables	-	-	-	(1,000)	-	-
Financial liabilities at amortised cost	(28)	(12)	(4)	-	(8)	<b>(8)</b>
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
<b>Total Borrowings</b>	(28)	(12)	(4)	(1,000)	(8)	<b>(8)</b>
<i>Other Long Term Liabilities:</i>						
Finance lease liabilities	(63)	(57)	(66)			
<b>Total other long term liabilities</b>	(63)	(57)	(66)			
<i>Creditors:</i>						
Financial Liabilities at amortised cost	-	-	-	(1,525)	(1,965)	<b>(2,059)</b>
<b>Total Creditors</b>	-	-	-	(2,525)	(1,965)	<b>(2,059)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Income, Expense, Gains and Losses

2012/13	Financial Liabilities Measured at amortised cost  £000's	Financial Assets: Loans and Receivables  £000's	Assets and Liabilities at fair Value through the Profit and Loss  £000's	Total  £000's
Interest expense	4	-	-	4
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>
Interest Income	-	(214)	-	(214)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(214)</b>	<b>-</b>	<b>(214)</b>
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>4</b>	<b>(214)</b>	<b>-</b>	<b>(210)</b>
<b>Net gain/(loss) for the year</b>	<b>4</b>	<b>(214)</b>	<b>-</b>	<b>(210)</b>

2011/12 Comparative	Financial Liabilities Measured at amortised cost  £000's	Financial Assets: Loans and Receivables  £000's	Assets and Liabilities at fair Value through the Profit and Loss  £000's	Total  £000's
Interest expense	3	-	-	3
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>
Interest Income	-	(231)	-	(231)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>3</b>	<b>(231)</b>	<b>-</b>	<b>(228)</b>
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net gain/(loss) for the year</b>	<b>3</b>	<b>(231)</b>	<b>-</b>	<b>(228)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Fair Value for Assets and Liabilities Carried at Amortised Cost

"Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price."

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

- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000's	£000's	£000's	£000's
Financial Liabilities	(20)	(20)	(12)	(12)
Lease Liability	(60)	(86)	(66)	(66)
Loans and Receivables	11,091	11,117	8,500	8,663
Financial Assets at Fair Value through profit and loss	1,000	1,000	-	-

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 17. DEBTORS

2011/12 £000's		2012/13 £000's
123	Central Government Bodies	3,117
438	Other Local Authorities	256
2,598	Bodies external to general government	3,842
<b>3,159</b>	<b>Balance as at 31 March</b>	<b>7,215</b>

The figures for bodies external to general government are shown net of impairment of £436k (£549k at 31<sup>st</sup> March 2012)

### 18. CASH AND CASH EQUIVALENTS

2011/12 £000's		2012/13 £000's
2	Cash held by the Council	2
407	Bank Current Accounts	(118)
3,000	Short Term Deposits	3,000
<b>3,409</b>	<b>Total</b>	<b>2,884</b>

### 19. CREDITORS

#### Short-Term Creditors

2011/12 £000's		2012/13 £000's
(1,815)	Central Government Bodies	(124)
(1,899)	Other Local Authorities	(6,051)
(1,965)	Bodies external to general government	(2,059)
<b>(5,679)</b>	<b>Balance as at 31 March</b>	<b>(8,234)</b>

### 20. USABLE RESERVES

2011/12 £000's		2012/13 £000's
(2,635)	General Fund	(2,947)
(2,316)	Earmarked General Fund Reserves	(2,366)
(3,375)	Capital Receipts Reserve	(3,225)
(1,554)	Capital Grants Unapplied	(1,910)
<b>(9,881)</b>	<b>Total Usable Reserves</b>	<b>(10,448)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 21. UNUSABLE RESERVES

2011/12 (Restated) £000's		2012/13  £000's
(1,436)	Revaluation Reserve	(1,805)
(18,091)	Capital Adjustment Account	(17,650)
(4)	Deferred Capital Receipts Reserve	(3)
28,656	Pensions Reserve	31,968
(183)	Collection Fund Adjustment Account	(243)
65	Accumulated Absences Account	67
9,007	<b>Total Unusable Reserves</b>	<b>12,334</b>

#### Revaluation Reserve

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

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

2011/12 (Restated) £000's		2012/13  £000's
(1,107)	Balance at 1 <sup>st</sup> April	(1,436)
(395)	Upward revaluation of assets	(439)
12	Downward revaluation of assets and impairment not charged to the Surplus/Deficit on the Provision of Services	5
(383)	<i>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</i>	(434)
53	Difference between fair value depreciation and historical cost depreciation	65
-	Accumulated gains on assets sold or scrapped	-
653	<i>Amount written off to the Capital Adjustment Account</i>	65
(1,436)	<b>Balance as at 31 March</b>	<b>(1,805)</b>

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

## NOTES TO THE FINANCIAL STATEMENTS

### *Capital Adjustment Account*

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

2011/12 (Restated) £000's		2012/13 £000's
(19,193)	Balance at 1 <sup>st</sup> April	(18,091)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
1,068	Charges for depreciation and impairment of non-current assets	776
102	Revaluation losses on Property, Plant and Equipment	119
188	Amortisation of intangible assets	44
984	Revenue expenditure funded from capital under statute	518
132	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
2,474		1,457
(53)	Adjusting amounts written out of the Revaluation Reserve	(64)
2,421	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>1,393</b>
	<i>Capital financing applied in the year:</i>	
(449)	Use of the Capital Receipts Reserve to finance new capital expenditure	(175)
(681)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(697)
(156)	Application of grants to capital financing from the Capital Grants Unapplied Account	(43)

## NOTES TO THE FINANCIAL STATEMENTS

2011/12 (Restated) £000's	2012/13 £000's
(33) Statutory provision for the financing of capital investment charged against the General Fund balance	(37)
- Capital expenditure charged against the General Fund balance	-
(1,102)	441
<b>(18,091) Balance as at 31 March</b>	<b>(17,650)</b>

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

### *Deferred Capital Receipts Reserve*

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

2011/12 £000's	2012/13 £000's
(5) Balance at 1 <sup>st</sup> April	(4)
Transfer to the Capital Receipts Reserve upon receipt of cash	
<b>(4) Balance as at 31 March</b>	<b>(3)</b>

### *Pensions Reserve*

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

## NOTES TO THE FINANCIAL STATEMENTS

2011/12 £000's	2012/13 £000's
22,471 Balance at 1 <sup>st</sup> April	<b>28,656</b>
5,800 Actuarial (gains) or losses on pensions assets and liabilities	<b>2,715</b>
1,300 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	<b>1,460</b>
(915) Employer's pensions contributions and direct payments to pensioners payable in the year	<b>(864)</b>
<b>28,656 Balance as at 31 March</b>	<b>31,967</b>

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

### *Collection Fund Adjustment Account*

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

2011/12 £000's	2012/13 £000's
(183) Balance at 1 <sup>st</sup> April	<b>(183)</b>
- Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	<b>(60)</b>
<b>(183) Balance as at 31 March</b>	<b>(243)</b>

### *Accumulated Absences Account*

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

## NOTES TO THE FINANCIAL STATEMENTS

2011/12 £000's	2012/13 £000's
63 Balance at 1 <sup>st</sup> April	65
(63) Settlement or cancellation of accrual made at the end of the preceding year	(65)
65 Amounts accrued at the end of the current year	65
2 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2
<b>65 Balance as at 31 March</b>	<b>67</b>

### 22. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011/12 £000's	2012/13 £000's
(227) Interest received	(114)
3 Interest paid	4

Adjustment to net Surplus on the Provision of Services for non-cash movements

2011/12 £000's	2012/13 £000's
(1,256) Depreciation	(820)
(102) Impairment	(119)
(132) Net book value of disposed assets	-
1,567 Increase / (Decrease) in Debtors	1,722
(1,245) Increase / (Decrease) in Creditors	(3,736)
(21) Inventory	-
(385) Pension Liability Increase / (Decrease)	(596)
(1) Housing Pooling Payment	(1)
<b>(1,575)</b>	<b>(3,550)</b>

### 23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011/12 £000's	2012/13 £000's
337 Purchase of property, plant & equipment	280
20,400 Purchase of investments	26,000
1 Other payments for investing activities	1
(237) Proceeds from sale of property, plant & equipment	-
(20,000) Proceeds from investments	(26,500)
(737) Other receipts from investing activities	(980)
<b>(236) Net Cash Flow from Investing Activities</b>	<b>(1,199)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 24. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011/12 £000's		2012/13 £000's
	- Cash receipts from borrowing	-
	Other receipts from financing activities	
(27)	- Capital Receipts	(27)
(84)	- Preceptors Cash	(452)
(3,392)	- NNDR Cash receipts	-
28	Cash payments to reduce finance lease liabilities	37
1,016	Repayments of short term borrowing	8
	Other payments from financing activities	
-	- NNDR Cash receipts	4,223
-	- Preceptors Cash	-
(2,459)	<b>Net cash flow from financing activities</b>	<b>3,789</b>

### 25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

## NOTES TO THE FINANCIAL STATEMENTS

<b>Portfolio Information 2012/13</b>	<b>Community And Partnerships</b>	<b>Corporate Management</b>	<b>Finance</b>	<b>Democratic Services</b>	<b>Housing and Cust. Services</b>	<b>Leisure and Environ. Promotion</b>	<b>Planning Services</b>	<b>Technical and Environmental Services</b>	<b>Regulatory Services</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(26)	(192)	(459)	(9)	(151)	(2,380)	(1,367)	(5,416)	(248)	(10,248)
Government grants	(11)	-	(17,815)	(119)	(640)	(131)	-	(290)	-	(19,006)
<b>Total Income</b>	<b>(37)</b>	<b>(192)</b>	<b>(18,274)</b>	<b>(128)</b>	<b>(791)</b>	<b>(2,511)</b>	<b>(1,367)</b>	<b>(5,706)</b>	<b>(248)</b>	<b>(29,254)</b>
Employee expenses	176	988	86	117	621	1,744	1,058	888	573	6,251
Other operating expenses	481	1,972	19,349	492	256	1,405	299	6,854	79	31,187
Depreciation	8	26	29	2	423	598	3	368	-	1,457
Support service recharges	151	(1,805)	(497)	98	380	759	1,080	(529)	363	-
<b>Total operating expenses</b>	<b>816</b>	<b>1,181</b>	<b>18,967</b>	<b>709</b>	<b>1,680</b>	<b>4,506</b>	<b>2,441</b>	<b>7,581</b>	<b>1,015</b>	<b>38,896</b>
<b>Net cost of services</b>	<b>779</b>	<b>989</b>	<b>693</b>	<b>581</b>	<b>889</b>	<b>1,995</b>	<b>1,074</b>	<b>1,875</b>	<b>767</b>	<b>9,642</b>

<b>Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement</b>	<b>£'000</b>
Cost of services in portfolio analysis	9,642
Add services not included in main analysis	-
Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	-
<b>Net cost of services in the Comprehensive Income and Expenditure Statement</b>	<b>9,642</b>

## NOTES TO THE FINANCIAL STATEMENTS

<b>Reconciliation to Subjective Analysis 2012/13</b>	Service Analysis	Services not in Analysis	Not reported to Mgt.	Not included in CIES	Recharge Allocation	Net cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(10,247)	-	-	309	-	(9,938)	(25)	(9,963)
Interest and investment income	-	-	-	-	-	-	(2,244)	(2,244)
Income from council tax	-	-	-	-	-	-	(8,186)	(8,186)
Government grants and contributions	(19,007)	-	-	-	-	(19,007)	(3,808)	(22,814)
<b>Total Income</b>	<b>(29,253)</b>	<b>-</b>	<b>-</b>	<b>309</b>	<b>-</b>	<b>(28,945)</b>	<b>(14,262)</b>	<b>(43,206)</b>
Employee expenses	6,252	-	-	-	-	6,252	(768)	5,483
Other service expenses	31,186	-	-	1,149	-	32,335	-	32,335
Support Service Recharges	-	-	-	-	-	-	-	-
Depreciation, Amortisation and Impairment	-	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	2,844	2,844
Precepts and levies	-	-	-	-	-	-	2,255	2,255
Payments to the housing capital receipts pool	-	-	-	-	-	-	1	1
Gain or loss on disposal of fixed assets	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>37,438</b>	<b>-</b>	<b>-</b>	<b>1,149</b>	<b>-</b>	<b>38,586</b>	<b>4,332</b>	<b>42,918</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>8,184</b>	<b>-</b>	<b>-</b>	<b>1,457</b>	<b>-</b>	<b>9,642</b>	<b>(9,930)</b>	<b>(289)</b>

## NOTES TO THE FINANCIAL STATEMENTS

2011/12 Comparatives are given below

<b>Portfolio Information 2011/12</b>	Community And Partnerships	Corporate Management	Finance	Democratic Services	Housing and Cust. Services	Leisure and Environ. Promotion	Planning Services	Technical and Environmental Services	Regulatory Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(167)	(346)	(295)	(11)	(76)	(2,436)	(1,499)	(1,768)	(107)	(6,706)
Government grants	(18)	-	(16,503)	(87)	(303)	(384)	(16)	(1,900)	(34)	(19,245)
<b>Total Income</b>	<b>(185)</b>	<b>(346)</b>	<b>(16,798)</b>	<b>(99)</b>	<b>(379)</b>	<b>(2,820)</b>	<b>(1,515)</b>	<b>(3,669)</b>	<b>(141)</b>	<b>(25,951)</b>
Employee expenses	429	980	213	101	579	1,698	1,063	1,559	419	7,041
Other operating expenses	183	1,862	18,008	536	972	1,675	397	4,086	159	27,878
Depreciation	8	2	2	111	16	530	3	544	-	1,216
Support service recharges	216	(1,733)	(529)	179	384	624	1,097	(505)	267	-
<b>Total operating expenses</b>	<b>836</b>	<b>1,110</b>	<b>17,694</b>	<b>927</b>	<b>1,950</b>	<b>4,527</b>	<b>2,560</b>	<b>5,684</b>	<b>845</b>	<b>36,134</b>
<b>Net cost of services</b>	<b>650</b>	<b>764</b>	<b>896</b>	<b>828</b>	<b>1,572</b>	<b>1,708</b>	<b>1,045</b>	<b>2,015</b>	<b>704</b>	<b>10,182</b>

<b>Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement</b>	<b>£'000</b>
Cost of services in portfolio analysis	10,182
Add services not included in main analysis	-
Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	-
<b>Net cost of services in the Comprehensive Income and Expenditure Statement</b>	<b>10,182</b>

## NOTES TO THE FINANCIAL STATEMENTS

<b>Reconciliation to Subjective Analysis 2011/12</b>	Service Analysis	Services not in Analysis	Not reported to Mgt.	Not included in CIES	Recharge Allocation	Net cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(6,706)	-	-	(487)	-	(7,193)	(237)	(7,430)
Interest and investment income	-	-	-	-	-	-	(2,531)	(2,531)
Income from council tax	-	-	-	-	-	-	(8,103)	(8,103)
Government grants and contributions	(19,245)	-	-	-	-	(19,245)	(3,857)	(23,102)
<b>Total Income</b>	<b>(25,951)</b>	<b>-</b>	<b>-</b>	<b>(487)</b>	<b>-</b>	<b>(26,439)</b>	<b>(14,727)</b>	<b>(41,166)</b>
Employee expenses	7,001	-	(40)	-	-	6,961	-	6,961
Other service expenses	27,678	-	-	527	-	28,205	-	28,205
Support Service Recharges	-	-	-	-	-	-	-	-
Depreciation, Amortisation and Impairment	-	-	1,455	-	-	1,455	-	1,455
Interest payments	-	-	-	-	-	-	3,023	3,023
Precepts and levies	-	-	-	-	-	-	2,227	2,227
Payments to the housing capital receipts pool	-	-	-	-	-	-	1	1
Gain or loss on disposal of fixed assets	-	-	-	-	-	-	133	133
<b>Total operating expenses</b>	<b>36,134</b>	<b>-</b>	<b>(40)</b>	<b>527</b>	<b>-</b>	<b>36,621</b>	<b>5,384</b>	<b>42,005</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>10,182</b>	<b>-</b>	<b>(40)</b>	<b>40</b>	<b>-</b>	<b>10,182</b>	<b>(9,342)</b>	<b>840</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 26. TRADING OPERATIONS

The Authority has established no trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

### 27. AGENCY SERVICES

The Council provides a number of services on behalf of Hampshire County Council. In 2012/13 the Council received £244,888 for providing these services (2011/12 £263,928)

### 28. MEMBERS ALLOWANCES

2011/12 £000's	2012/13 £000's
196 Allowances	205
7 Expenses	11
203 Total	216

### 29. OFFICERS' REMUNERATION & TERMINATION BENEFITS

#### Remuneration

The number of employees (including senior employees – see below) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Number of Employees 2011/12	Remuneration Band £	Number of Employees 2012/13
2	50,000 to 54,999	2
-	55,000 to 59,999	-
-	60,000 to 64,999	-
3	65,000 to 69,999	3
-	70,000 to 74,999	-
1	75,000 to 79,999	1
1	80,000 to 84,999	1
-	85,000 to 89,999	-
-	90,000 to 94,999	1
-	95,000 to 99,999	-
1	100,000 to 104,999	1

The following tables set out, for 2012/13 and 2011/12, the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

## NOTES TO THE FINANCIAL STATEMENTS

2012/13 Post Holder	Salary including fees and allowances £	Additional Payments and Allowances £	Total remuneration excluding pension contributions £	Employer Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive	98,840	4,738	103,578	18,878	122,456
Corporate Director A*	50,969	3,000	53,969	9,769	63,738
Corporate Director B	76,743	3,000	79,743	14,630	94,373
Head of Finance**	34,938	1,239	36,177	-	36,177
Waste and Recycling Manager	54,660	1,239	55,899	9,867	65,766
Environmental Health Manager	51,660	1,239	52,899	10,440	63,339
Head of Leisure & Environmental Promotion	63,176	3,000	66,176	12,067	78,243
Head of Environmental Maintenance	63,176	3,000	66,176	12,067	78,243
Head of Housing	63,176	3,000	66,176	12,067	78,243
	<b>557,337</b>	<b>23,455</b>	<b>580,792</b>	<b>99,785</b>	<b>680,577</b>

\* Corporate Director A started on 6 Aug 2012. Annualised Salary is £78,300.

\*\* 0.4 of annualised salary of £88,739.

The equivalent for 2011/12 is shown below:

2011/12 Post Holder	Salary including fees and allowances £	Additional Payments and Allowances £	Total remuneration excluding pension contributions £	Employer Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive	98,840	4,735	103,575	19,342	122,917
Corporate Director A*	81,338	3,000	84,338	15,917	100,255
Corporate Director B	74,522	1,386	75,908	14,583	90,491
Waste and Recycling Manager	51,660	103	51,763	10,110	61,873
Environmental Health Manager	46,592	4,000	50,592	9,838	60,430
Head of Environmental Maintenance	63,176	3,000	66,176	12,363	78,539
Head of Housing	63,176	3,000	66,176	12,363	78,539
Head of Leisure	63,176	3,000	66,176	12,363	78,539
Head of Finance A**	17,925	-	17,925	-	17,925
Head of Finance B***	10,635	-	10,635	-	10,635
	<b>571,040</b>	<b>22,224</b>	<b>593,264</b>	<b>106,879</b>	<b>700,143</b>

\* Left post on 31.3.12

\*\* 0.4 FTE. Annualised salary is £88,739. Started in post on 03.10.11

## NOTES TO THE FINANCIAL STATEMENTS

\*\*\* 0.4 FTE. Annualised salary is £88,739. Started in post on 26.4.11. Left post on 11.08.11

### *Termination Benefits*

In 2012/13 the Council terminated the contracts of 3 employees (15 in 2011/12). These terminated contracts incurred liabilities of £39k (2011/12 £134k). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Remuneration Band	Number of Compulsory Redundancies		Number of other departures agreed		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12 £'s	2012/13 £'s
£0 - £19,999	1	-	1	-	3,162	-
£20,000 - £39,999	6	2	6	1	90,917	38,598
£40,000 - £59,999	-	-	1	-	40,198	-
£60,000 - £79,999	-	-	-	-	-	-
	7	2	8	1	134,277	38,598

### 30. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors, the Audit Commission.

2011/12 £000's		2012/13 £000's
106	Fees payable with regard to external audit services carried out by the appointed auditor for the year	93
	Fees payable for the certification of grant claims and returns for the year	32
39		
	Fees payable in respect of other services provided during the year	23
26		
(9)	Rebate for Previous Year	(8)
162		140

## NOTES TO THE FINANCIAL STATEMENTS

### 31. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

2011/12 £000's		2012/13 £000's
	<i>Credited to Taxation and Non Specific Grant Income</i>	
(699)	Revenue Support Grant	(54)
(2,262)	Business Rates Pool Contribution	(2,706)
(144)	Council Tax Freeze Grant	(145)
(487)	Non-ringfenced Government Grants	(635)
(264)	Capital Grants and Contributions	(522)
<b>(3,856)</b>		<b>(4,062)</b>
	<i>Credited to Services</i>	
(11)	Local Flexibilities	-
(292)	Disabled Facilities Grant	(298)
(13,047)	DWP – housing benefits subsidy	(13,634)
(2,986)	- council tax benefits subsidy	(3,073)
(41)	Other	(291)
<b>(16,377)</b>		<b>(17,296)</b>

The Council has not received any grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

### 32. RELATED PARTY TRANSACTIONS

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

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in, note 31.

Members of the Council have direct control over the Council's financial and operating policies. Members are required to observe the Code of Conduct for Councillors, register financial interests in the Council's Register maintained under section 81(1) of the Local Government Act 2000 and register the receipt of any gifts/hospitality over £25. There are no material related party transactions with members to disclose for 2012/13.

## NOTES TO THE FINANCIAL STATEMENTS

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The Council had no material related party transactions with officers during 2012/13.

Related party transactions with the precepting bodies and the pension fund are disclosed on page 84 (the Collection Fund) and in note 35 respectively within the Statement of Accounts.

The Council had no significant interest in companies.

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

2011/12 £000's		2012/13 £000's
<b>(1,813)</b>	Amounts due to Central Government	<b>(124)</b>
<b>(120)</b>	Amount due to Hampshire County Council	<b>(172)</b>
<b>123</b>	Amounts due from Central Government	<b>3,851</b>
<b>15</b>	Amounts due from Hampshire County Council	<b>36</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2011/12 £000's	2012/13 £000's
121 Opening Capital Financing Requirement <i>Capital Investment</i>	<b>113</b>
326 Property, Plant and Equipment Investment Properties Intangible assets Renovation advances	<b>455</b>
984 Revenue expenditure funded from capital under statute <i>Sources of Finance</i>	<b>518</b>
(448) Capital Receipts	<b>(175)</b>
(837) Government grants and other contributions <i>Sums set aside from revenue:</i>	<b>(740)</b>
- Direct Revenue Contributions	-
(33) Minimum Revenue Provision	<b>(38)</b>
<b>113 Closing Capital Financing Requirement</b>	<b>133</b>
25 Increase in underlying need to borrow (unsupported by Government financial assistance)	<b>58</b>
(33) Minimum Revenue Provision	<b>(38)</b>
<b>(8) Increase / (decrease) in Capital Financing Requirement</b>	<b>20</b>

### 34. LEASES

#### Council as Lessee

##### Finance Leases

The Council has acquired a number of photocopying machines and associated software under finance leases.

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

## NOTES TO THE FINANCIAL STATEMENTS

2011/12 £000's	2012/13 £000's
25 Vehicles, Plant, Furniture and Equipment	52
- Intangible assets	-
<b>25 Total</b>	<b>52</b>

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

2011/12			2012/13	
Lease Liability £000's	Minimum Payment £000's		Lease Liability £000's	Minimum Payment £000's
26	27	Due within one year	41	43
54	55	Due later than one year but before five years	66	71
3	3	Due after five years	-	-
<b>83</b>	<b>85</b>	<b>Total</b>	<b>107</b>	<b>114</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 no contingent rents were payable.

### Operating Leases

The Council entered into operating leases to procure cars and plant.

The future minimum lease payments under non cancellable operating leases are:

2011/12 £000's	2012/13 £000's
I Due within one year	-
- Due later than one year but before five years	-
- Due after five years	-
<b>I Total</b>	<b>-</b>

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the 31/03/2013 is Nil (Nil 2011/12)

Lease and sublease payments recognised as an expense in the period were as follows:

2011/12 £000's	2012/13 £000's
II Minimum lease payments	-
- Contingent rents	-
- Sublease payments receivable	-
<b>II Total</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

---

### **Council as Lessor**

#### Finance Leases

The Council has not disposed of any Property, plant or equipment under finance leases

#### Operating Leases

The Council receives no material rental income from properties under operating leases.

### **35. DEFINED BENEFIT PENSION SCHEME**

---

#### Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit final payment scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with pension assets. In addition there is an unfunded element relating to the award of additional service upon retirement.

#### Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Surplus or Deficit on the Provision of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year.

## NOTES TO THE FINANCIAL STATEMENTS

2011/12			2012/13	
Funded	Unfunded		Funded	Unfunded
£000's	£000's		£000's	£000's
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
620	-	• Current Service Cost	680	-
70	-	• Past Service Cost	-	-
(110)	-	• Settlements and curtailments	-	-
<i>Financing and Investing Income and Expenditure:</i>				
2,900	120	• Interest Cost	2,730	110
(2,300)	-	• Expected Return on Scheme Assets	(2,030)	-
1,180	120	<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	1,380	110
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
5,590	210	• Actuarial (Gains) or Losses	2,500	80
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
<b>Movement in Reserves Statement</b>				
(1,180)	(120)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,350)	(110)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>				
756	159	• Employers contributions to the scheme	702	161

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure is a loss of £18.240m (2011/12 £15.660m).

## NOTES TO THE FINANCIAL STATEMENTS

### Assets and Liabilities in relation to retirement benefits:

#### Reconciliation of present value of the scheme liabilities

2011/12			2012/13	
Funded £000's	Unfunded £000's		Funded £000's	Unfunded £000's
54,040	2,240	1 April scheme liabilities	<b>59,060</b>	<b>2,410</b>
620	-	Current service cost	<b>650</b>	-
2,900	120	Interest cost	<b>2,730</b>	<b>110</b>
280	-	Contributions by scheme participants	<b>230</b>	-
4,770	210	Actuarial (gains)/losses	<b>5,270</b>	<b>80</b>
70	-	Past service costs	-	-
-	-	Losses on Curtailments	-	-
(1,080)	-	Losses on Settlements	-	-
(2,540)	-	Benefits paid	<b>(2,680)</b>	-
-	(160)	Unfunded benefits paid	-	<b>(150)</b>
<b>59,060</b>	<b>2,410</b>	31 March scheme liabilities	<b>65,260</b>	<b>2,450</b>

#### Reconciliation of fair value of scheme assets

2011/12 £000's		2012/13 £000's
33,809	1 April scheme assets	<b>32,814</b>
2,300	Expected return on assets	<b>2,030</b>
280	Contributions by Members	<b>230</b>
755	Contributions by Hart DC	<b>578</b>
(820)	Actuarial gains/(losses)	<b>2,770</b>
(970)	Losses on Settlements	-
(2,540)	Benefits paid	<b>(2,680)</b>
<b>32,814</b>	31 March scheme assets	<b>35,742</b>

Hart District Council employs a building block approach to determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within the note. The overall expected return for assets is then derived by aggregating the expected return for each class of asset over the actual asset allocation for the Fund at 31<sup>st</sup> March 2013.

## NOTES TO THE FINANCIAL STATEMENTS

The actual loss on scheme assets (funded) in the year was £2,500,000 (2011/12: a loss of £5,590,000)

Scheme History	<b>2012/13</b>	2011/12	2010/11	2009/10	2008/09
	<b>£000's</b>	£000's	£000's	£000's	£000's
Present value of liabilities					
• Funded	<b>(65,260)</b>	(59,060)	(54,040)	(61,420)	(45,070)
• Unfunded	<b>(2,450)</b>	(2,410)	(2,240)	(2,550)	(2,280)
Fair value of assets	<b>35,742</b>	32,814	33,809	31,820	24,960
Deficit in the Scheme					
• Funded	<b>(29,518)</b>	(26,246)	(20,231)	(29,600)	(20,110)
• Unfunded	<b>(2,450)</b>	(2,410)	(2,240)	(2,550)	(2,280)
	<b>(31,968)</b>	(28,656)	(22,471)	(32,150)	(22,390)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £31.968 million has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance on the balance sheet of (£1.888) million. However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2013/14 is £0.720 million.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels etc. The County Council administered pension fund liabilities have been assessed by AON Hewitt an independent firm of actuaries. Estimates for the Fund are based on the latest full valuation of the scheme as at 31 March 2013.

## NOTES TO THE FINANCIAL STATEMENTS

The principal assumptions used by the actuary have been as follows:

2011/12			2012/13	
Funded	Unfunded		Funded	Unfunded
		Long-term expected rate of return on assets on the scheme;		
8.1%	-	- equity investments	7.8%	-
3.1%	-	- government bonds	2.8%	-
3.7%	-	- corporate bonds	3.8%	-
7.6%	-	- property	7.3%	-
1.8%	-	- cash	0.9%	-
8.1%	-	- other assets	7.8%	-
6.4%	-	- weighted average	6.3%	-
		Mortality assumption		
		Longevity at 65 for current pensioners		
23.9	23.9	-men	24.0	24.0
24.9	24.9	-women	25.0	25.0
		Longevity at 65 for future pensioners		
25.6	25.6	-men	25.7	25.7
26.8	26.8	-women	26.9	26.9
4.7%pa	4.6%pa	Discount Rate	4.3%	4.1%
5.0%pa	-	Rate of increase in salaries	4.6%	-
2.5%pa	2.4%pa	Rate of increase in pensions payments	2.7%	2.6%
3.5%pa	3.4%pa	RPI Inflation	3.6%	3.5%
2.5%pa	2.4%pa	CPI Inflation	2.7%	2.6%
2.5%pa	-	Rate of increase to deferred pensions	2.7%	-
		Take up of option to convert annual pension into retirement lump sum		
25%	-	• Past service pension rights	25%	-
75%	-	• Future service pension rights	75%	-

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

2011/12		2012/13
%		%
55.1	Equities	57.6
27.0	Bonds	24.9
7.7	Property	7.8
1.5	Corporate Bonds	1.3
4.1	Cash	2.3
4.6	Other **	6.1
<b>100.0</b>		<b>100.0</b>

Other holdings include Hedge Funds, currency holdings, asset allocation futures and other. It has been assumed that the return will be in line with equities.

## NOTES TO THE FINANCIAL STATEMENTS

### History of experience gains and losses

The actuarial gains/losses identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	<b>2012/13</b>	2011/12	2010/11	2009/10	2008/09
( ) denotes a loss					
<i>Differences between the expected and actual return on assets</i>					
Amount £000's	<b>2,770</b>	(820)	1,240	6,670	(8,600)
Percentage %	<b>7.7</b>	(2.50)	3.70	21.00	(34.50)
<i>Experience gains and losses on liabilities</i>					
Funded - Amount £000's	<b>120</b>	(560)	1,030	650	(250)
Percentage %	<b>0.20</b>	(0.90)	1.90	1.10	(0.60)
Unfunded Amount £000's	<b>9</b>	(60)	10	130	(40)
Percentage %	<b>3.70</b>	(2.50)	0.40	5.1	(1.80)

### **36. CONTINGENT ASSETS AND LIABILITIES**

In common with other Councils there is a possibility that the Council may face legal action over the fees it has charged for certain services that it provides under land charges. There is no certainty at this stage that there will be financial implications.

### **37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility the financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

#### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

## NOTES TO THE FINANCIAL STATEMENTS

---

- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial procedures rules and constitution.
- By formally adopting the requirements of the Code of Practice.
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum for exposures to the maturity structure of its debt
  - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual council tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Cabinet on 2 February 2012 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £7 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £5 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown below.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These are a requirement of the Code of Practice and reviewed periodically.

### ***Credit risk***

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard and Poor's Rating

## NOTES TO THE FINANCIAL STATEMENTS

Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with the banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Corporate Director can also apply additional selection criteria to further restrict the investment counterparties available to the Council and/or the maximum duration of investments. In summary, the key areas of the Investment Strategy for 2012/13 are that the minimum criteria for investment counterparties include:

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

The Annual Investment Strategy for 2012/13 was approved by Cabinet on 2 February 2012.

The following analysis summarises the Council's maximum exposure to credit risk. The Cumulative Default Rates are sourced from the three main rating agencies as a basis for the Credit Risk Maximum (the maximum acceptable % risk of default). This table looks at all investments, all of which mature within 1 year.

	<b>Amount at 31 March 2013</b>	<b>Historical experience of default</b>	<b>Adjustment for Market Conditions at 31 March 2013</b>	<b>Estimated maximum exposure to default 2013</b>	<b>Estimated maximum exposure to default 2012</b>
	<b>£000's</b>	<b>%</b>	<b>%</b>	<b>£000's</b>	<b>£000's</b>
AAA rated counterparty	-	-	-	-	-
AA rated counterparty	<b>3,000</b>	<b>0.000</b>	<b>0.000</b>	-	-
A rated counterparties	<b>8,500</b>	<b>0.028</b>	<b>0.038</b>	<b>3</b>	<b>8</b>
	<b>11,500</b>			<b>3</b>	<b>8</b>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Whilst the current crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

The Council generally does not allow credit for customers. However, £72k of the Council's sundry debt of £3,167k (excluding recovery of benefit overpayments from ongoing entitlement) is more than one year old. The risk that these debts over 1 year old will not be paid is mitigated by a provision for bad and doubtful debts of £285k calculated in accordance with the Council's accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS

The provision for impairment of sundry debts (excluding council tax court costs) has decreased by £152k compared to the 2011/12 position. The level of provision was reviewed in light of current economic conditions. The provision is viewed as adequate given the level of arrears that the sundry debt provision is based on has fallen and in light of the current aged profile of the debt.

### **Liquidity risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

31 March 2012 £000's	Analysis by maturity	31 March 2013 £000's
	<b>Borrowings</b>	
	- Less than one year	-
	- Between 1 and 2 years	-
(20)	Between 2 and 5 years	(12)
	- Between 5 and 10 years	-
	- More than 10 years	-
(20)	Total	(12)

A maturity analysis of finance lease payments due is shown in note 34

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

### **Refinancing and Maturity Risk**

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

The maturity analysis of financial assets is as follows:

Actual 31 March 2012 £000's		Actual 31 March 2013 £000's
9,000	Less than one year	8,500
-	- More than one year	-
9,000	Total	8,500

### **Market risk**

#### Price risk

The Council does not currently invest in equity shares or marketable bonds and is not exposed to a price risk through its treasury management activities.

#### Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

#### Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed rates move across differing financial instrument periods. For example, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the Council's liabilities would fall.
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement would rise.

## NOTES TO THE FINANCIAL STATEMENTS

---

- Investments at fixed rates – the fair value of the assets would fall with a loss being taken to the Comprehensive Income and Expenditure Statement.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund. Movements in the fair value of any financial assets at profit or loss will also be reflected in the Comprehensive Income and Expenditure Statement - the Council did not hold any such investments at 31 March 2013.

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

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000's
Increase in interest payable on borrowings	1
Increase in interest receivable on investments	(191)
Impact on Comprehensive Income and Expenditure Statement	(190)

**NOTES TO THE COLLECTION FUND**

2011/12 £000's	<b>COLLECTION FUND</b>	2012/13 £000's
<b>Amounts required by statute to be credited to the Collection Fund</b>		
(53,298)	Council Tax ( <b>note 1</b> )	(53,762)
(2,956)	Council Tax Benefit: Transfer form General Fund	(2,936)
(27,331)	Business Rate income ( <b>note 2</b> )	(26,610)
(83,585)		(83,308)
<b>Amounts required by statute to be debited to the Collection Fund</b>		
<i>Precepts and demands:</i>		
39,405	Hampshire County Council	40,008
5,557	Hampshire Police Authority	5,694
2,330	Hampshire Fire and Rescue Service	2,390
7,992	Hart District Council	8,085
<i>Business Rates:</i>		
27,176	Payments to the national pool	26,127
98	Costs of collection	99
6	Interest on Refunds	23
29	Discretionary Relief	35
374	Bad debts written off	476
(151)	Increase/(decrease) in provision for bad debts	18
82,817		82,955
(768)	<b>(INCREASE)/DECREASE IN FUND BALANCE FOR THE YEAR</b>	(353)
<b>Contributions towards previous years collection fund surplus</b>		
546	Hampshire County Council	296
77	Hampshire Police Authority	42
32	Hampshire Fire and Rescue Service	18
111	Hart District Council	60
(2)	<b>Movement on the fund</b>	66
(1,264)	(Surplus)/Deficit brought forward	(1,266)
(1,266)	(Surplus)/Deficit carried forward	(1,200)

## NOTES TO THE COLLECTION FUND

### I. COUNCIL TAX

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

2011/12 £		2012/13 £
1,037.88	Hampshire County Council	1,037.88
146.25	Hampshire Police Authority	146.25
61.38	Hampshire Fire and Rescue Service	61.38
151.84	Hart District Council	151.84
58.51	Town and Parish Councils	58.94
<u>1,455.86</u>		<u>1,456.29</u>

The Council Tax Base is as follows:

Band	Net number of properties	Band Multiplier	Band D Equivalents
A/AR	506.40	6/9	337.52
B	1,471.85	7/9	1,144.77
C	6,928.15	8/9	6,158.35
D	7,385.25	9/9	7,385.25
E	6,795.75	11/9	8,305.92
F	6,087.15	13/9	8,792.55
G	3,357.40	15/9	5,595.67
H	209.90	18/9	419.80
			<u>38,139.83</u>
Class O Exempt Properties			705
Sub Total			<u>38,844.83</u>
Assumed Losses on Collection (1.5%)			582.67
Tax Base (equivalent Band D)			<u>38,262.16</u>

The 2012/13 tax base approved by Council was 38,262.16. This figure was arrived at after allowing for contributions in lieu of Council tax and provisions for bad debts.

## NOTES TO THE COLLECTION FUND

---

### 2. INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

---

The Council collects non-domestic rates for its area based on local rateable values multiplied by a uniform national rating multiplier. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by the government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population as at a specified date.

The total NNDR Rateable Value as at 31 March 2013 was: £71,693,460 (£70,993,455 31 March 2012)

The non-domestic rate multiplier for 2012/13 was 45.00 pence for qualifying properties of less than £18,000 rateable value and 45.80 pence for all others (2011/12 42.60 pence and 43.30 pence respectively).

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

---

### **Opinion on the Authority's financial statements**

We have audited the financial statements of Hart District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Hart District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Head of Finance and auditor**

As explained more fully in the Statement of the Head of Finance's Responsibilities set out on page 7, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the Statement of Accounts 2012/13 are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

## ANNUAL GOVERNANCE STATEMENT

---

- give a true and fair view of the financial position of Hart District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

### **Opinion and other matters**

In our opinion, the information given in the Statement of Accounts 2012/13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Respective responsibilities of the Authority and the auditor***

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing

## ANNUAL GOVERNANCE STATEMENT

---

economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

### ***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, *Hart District Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Paul King

For and on behalf of Ernst & Young LLP  
Appointed Auditor

Reading  
Date

## ANNUAL GOVERNANCE STATEMENT 2012/13

---

### **Scope of Responsibility**

Hart District Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and has effective stewardship of public money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council must demonstrate that it has proper governance arrangements in place that enable the effective management of its functions, including those that relate to the management of risk.

The Council has adopted a code of corporate governance based on the CIPFA/SOLACE Framework. The Annual Governance Statement explains how the Council complies with recommended good practice that is contained in the code.

### **The Purpose of the Governance Framework**

The governance framework comprises of the systems, processes and culture values that the Council uses to direct and control its activities. The framework demonstrates how the Council engages with and is accountable to its community, and enables it to monitor the achievement of objectives and to consider whether those objectives have led to the delivery of cost effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate the risk of failure entirely and therefore only provides reasonable not absolute assurance that all risks are mitigated. The system of internal control is based on an ongoing process of review which identifies and manages risk to an acceptable level so that it does not have an adverse impact on the achievement of objectives.

The governance framework has been in place at Hart District Council for the year ended 31st March 2013 and up to the date of approval of the Statements of Accounts for 2012/13.

### **The Governance Framework**

The key elements of the governance framework and how the Council achieves each element is summarised below:

*Identifying and communicating our objectives and outcomes for citizens and service users.*

The last Corporate Plan covered the period 2007 - 2011. During the year 2012/13 there was no overall political control of the Council and a draft plan was prepared for the period 2012 -2015, but it has not been possible to gain member approval for it. However, political groups have now agreed to resolve this issue and discussions are currently taking place to agree the content of a new Corporate Plan.

## ANNUAL GOVERNANCE STATEMENT

---

*Reviewing our objectives and its implications for our governance framework.*

Overview and Scrutiny Committee and Cabinet monitor progress towards the achievement of agreed objectives, including those of the Corporate Plan. This is supplemented by discussions at Management Team and regular meetings between the Chief Executive and Leader of the Council. Six monthly reports on progress being made on the Corporate Plan would in normal circumstances also be reported to Overview and Scrutiny by the Chief Executive, these will recommence once the new Corporate Plan has been agreed.

*Established clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and open consultation.*

The Council encourages feedback on the services that it provides and actively seeks community engagement with its stakeholders, on both statutory consultations such as the Local Plan, and on various topics and schemes during the year. Results of consultations that are carried out are fed into the decision making process. Two editions of Hart News are sent to every household during the year to provide residents with an update on services provided by the Council and key events.

*That the roles and responsibilities of The Executive, Overview and Scrutiny and Officers are clearly defined including delegation arrangements and protocols for effective communication and decision making.*

The Council's Constitution is accessible via our website and clearly sets out how the Council operates and how decisions are made. The Constitution also includes terms of reference for The Executive, Overview and Scrutiny, Standards, Planning and Audit Committees. The key roles of our three statutory officers, namely The Chief Executive, Monitoring Officer and Section 151 Officer are also set out within the constitution.

The Scheme of Delegation provides clear guidance on the roles and responsibilities of senior officers and a protocol is in place for member and officer relationships.

The Constitution and Scheme of Delegation are subject to an on-going review to take into account any changes in the structure of the Council. Any changes that are required to either the Constitution or Scheme of Delegation are agreed by the Cabinet and, or Full Council.

*Developing, communicating and embedding codes of conduct and defining the standards of behaviour for both members and staff.*

The Council has an induction programme for members. One of the outcomes of the member induction is to ensure they are aware of the standards of conduct that is expected of them whilst they carry out their role as a Councillor. This is supported by the Code of Conduct for Members and a Standards Committee, both of which are used to promote high standards of conduct. An Officer/Member Protocol which outlines the relationships between members and officers also exists which is used to promote and maintain a good working relationship between officers and members.

## ANNUAL GOVERNANCE STATEMENT

---

A Code of Conduct is also in place for employees, which clearly states how the Council expects its employees to behave. The Code of Conduct is readily available to all employees via the intranet and is also covered in induction training for new employees.

The Council's expectations on behaviour and conduct are further enhanced by both the Anti Fraud and Corruption and Whistle-blowing Policies. Protocols for each of these policies can be used by employees, Councillors and members of the public. Training on bribery and corruption is planned for 2013/14.

The Council also has an effective complaints procedure in place which includes the use of the Ombudsman. The Ombudsman reported no findings of maladministration during 2012/13.

*Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.*

Hart District Council has a duty to ensure it acts within the law. The Three statutory officers are in post these being:

The Chief Executive who is the Head of Paid Service

The Monitoring Officer who has specific responsibilities to ensure that the Council does comply with all relevant laws and legislation and ensures high standards of ethical behaviour is maintained.

The Head of Finance as The Section 151 Officer has a duty to ensure financial transactions are legal and prudent.

### *Financial Management*

The Section 151 Officer is responsible for the management of the Council's financial transactions. He is also responsible for ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The role of the Chief Financial Officer in Local Government (2010)

The system of internal financial control is in place that should provide sufficient assurance that assets are safeguarded, segregation of duties exists, arrangements for management supervision have been established and there is proper accountability. The internal financial control system includes:

- The setting of a lawful annual budget
- Monitoring actual income and expenditure against annual budgets and targets
- Identifying and implementing actions to mitigate potential overspends and income shortfalls
- Regular budget monitoring information to Members
- Ensuring all appropriate officers are aware of Financial Regulations and Contract Standing Orders.
- Use of a medium term financial strategy

## ANNUAL GOVERNANCE STATEMENT

---

- Internal Audit review of key financial systems

*Measuring the quality of service for users, to ensure they are delivered in accordance with our objectives and make the best use of resources.*

The Council has established a set of indicators that are designed to ensure performance against key objectives and targets can be monitored. Service Plans are used to establish the levels of performance and potential service improvements that can be expected for each service. Performance indicators are reported to the Overview and Scrutiny Committee on a quarterly basis and to Service Boards. The economic, efficient and effective use of resources is subject to review by both Internal and External Audit.

*Undertaking the core functions of an audit committee.*

The Council has an Audit Committee, which is independent of Cabinet and Scrutiny functions.

The Audit Committee meets quarterly and provides assurance to the Council on the effectiveness of the governance arrangements, including the risk and internal control frameworks.

The Audit Committee is also responsible for approving the Statements of Accounts and the work of Internal Audit.

### **Review of Effectiveness**

The Council has a responsibility to review the effectiveness of its governance framework on a regular basis. The review is informed by the work of Senior Management, Internal Audit and External Audit.

Any review of the effectiveness of the framework can only provide reasonable not absolute assurance that the framework in place is effective.

The process that is in place to maintain and review the governance framework includes:

- The Council will maintain a culture of openness and transparency and will monitor and review the operation of the constitution and its principles.
- The Executive will approve the annual budget, review and update key policies and will be the hub of the Council's decision making process.
- The Overview and Scrutiny Committee will challenge the decision making process of the Executive and if considered appropriate call in decisions that have not been implemented for further review and scrutiny.
- The Audit Committee is charged with overseeing the governance arrangements of the Council.
- The Standards Committee will ensure members act in accordance with the Code of Member Conduct. The Committee will on the advice of the



## GLOSSARY OF TERMS

---

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

**Actual** - The final amount of expenditure or income which is recorded in the Council's accounts.

**Actuarial Gains and Losses** – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

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

### **Audit – Internal**

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

### **Audit – External**

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

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

**Budget** - A statement of the Council's plans for net revenue and capital expenditure over a specified period of time.

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

**Capital Adjustment Account** - This account includes the amalgamated balances of the Fixed Assets Restatement Account and the Capital Financing Account at 31st March 2007 and holds financing transactions relating to capital expenditure.

**Capital Charges** - Charges made to service expenditure accounts based on the service's use of fixed assets (depreciation and impairment) plus credits relating to government grants and capital contributions used to pay for those assets.

**Capital Expenditure** – Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## GLOSSARY OF TERMS

---

**Capital Receipts** - Proceeds from the sale of fixed assets, repayments of grants or the realisation of certain investments. Capital receipts are available to finance other items of capital expenditure or to repay debt on assets originally financed from loan.

**Central Services to the Public** – this includes the costs of local tax collection, elections, emergency planning, local land charges and any general grants.

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

**Code of Practice on Local Authority Accounting in the United Kingdom** - Issued by CIPFA, this is the guidance which is followed when preparing these statements. It provides expert support in dealing practically with the preparation of the year-end accounts and is the guidance by which every local authority must follow.

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

**Community Assets** - Assets that the Council intends to hold in perpetuity, which have no determinable finite useful life, and in addition may have restrictions on their disposal, e.g. parks and cemetery land.

**Corporate and Democratic Core** – Comprises all activities which local authorities engage in because they are elected, multipurpose authorities. It includes the costs of the Head of the Paid Service, costs of treasury management and bank charges and the costs of democratic representation.

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

**Current Service Cost (Pensions)** – The increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

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

**Depreciation** - The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

**Events after the Balance Sheet date** – those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

## GLOSSARY OF TERMS

---

**Fair Value** – The amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

**Finance Lease** – a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**General Fund (GF)** - The main revenue fund of the Council from which are made payments to provide services and into which receipts are paid, including the district council's share of council tax.

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

**Housing Benefit Subsidy** - The government reimburses the Council for most of the housing benefit payments made to residents plus an allowance to cover the costs of administering the scheme.

**International Accounting Standard 19 (IAS19)** - This International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

**Impairment** – A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

**Infrastructure Assets** - Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use, e.g. coast protection works.

**Intangible Assets** - This is a class of fixed assets that do not have any physical substance but are identifiable and are controlled by the authority, for example, purchased software licences.

**International Financial Reporting Standards (IFRS)** - From the 2010/11 financial year the Council has to implement new accounting regulations called IFRS. This will result in a significant change to the way that budgets and accounts are prepared with different accounting treatment being applied to asset valuations, leases, some accruals and derivatives.

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

**Minimum Revenue Provision (MRP)** – A prudent annual provision has to be made for the repayment of debt in accordance with Capital Finance Regulations.

**National non domestic rates (NDR)** - The form of local taxation charged on non residential premises at a level set by central government. Rates are collected and paid into a central pool administered by the government and the total collected is then redistributed to authorities on the basis of population.

## GLOSSARY OF TERMS

---

**Net Book Value** – The amount at which fixed assets are included in the balance sheet i.e. their historical cost or fair value less the cumulative amounts provided for depreciation and impairment.

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

**Non-Domestic Rates** - Businesses contribute to local government expenditure on the basis of a uniform rate, decided by the Government, levied on the rateable value of the business premises. The total business rate collected nationally is redistributed to district council areas based on population.

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

**Operating lease** - A lease agreement in which substantially all of the risks and rewards of ownership of a fixed asset remain with the lessor.

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

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

**Precept** - The demand on the collection fund by one authority (e.g. Hampshire County Council) which is collected from the council tax payer by another (e.g. Hart). Precepts on Hart are also made by town and parish councils in the district, which are charged to the General Fund.

**Prior Period Adjustments** – Those adjustments applicable to prior years arising from the correction of material errors.

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

**Public Works Loans Board (PWLb)** - A government agency which provides longer term loans to the public sector at interest rates only slightly higher than those at which the government itself can borrow.

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

**Reserves** - The general capital and revenue balances of the Council. There are two types of reserves which might be described as either available (usable) or not available (unusable) to finance expenditure. Revenue reserves which result from monies being set aside or surpluses or delayed expenditure can be spent or

## GLOSSARY OF TERMS

---

earmarked at the discretion of the Council (e.g. General Fund General Reserves). The capital receipts reserve and capital grants unapplied reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the capital adjustment account.

**Revenue Expenditure** - The day-to-day running costs of services including salaries, running expenses and capital charges.

**Revenue Expenditure Financed by Capital Under Statute (REFCUS)** - A type of capital expenditure which may be deferred but which does not give rise to tangible assets. Examples are renovation grants (grants to private individuals and companies to improve housing standards) and capital grants to other organisations.

**Revenue Support Grant** - A general grant paid by the Government to help finance the cost of local government services.

**Section 151 officer** - Another term to describe the Corporate Financial Advisor of the Council with responsibilities as set out in the Statement of Responsibilities for the Statement of Accounts.

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

**Tangible Fixed Assets** – Assets that yield benefits to the Council and the services it provides for a period of more than one year.

## INDEX OF NOTES TO THE FINANCIAL STATEMENTS

Note	Description	Pages
1	Accounting Policies	13
2	Accounting Standards That Have Been Issued But Have Not Yet Been Adopted	34
3	Critical Judgements In Applying Accounting Policies	35
4	Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty	36
5	Material And Exceptional Items Of Income And Expenditure	37
6	Events After The Balance Sheet Date	37
7	Prior Period Adjustment	37
8	Adjustments Between Accounting Basis And Funding Basis Under Regulations	40
9	Transfers To/From Earmarked Reserves	44
10	Other Operating Expenditure	45
11	Financing And Investment Income And Expenditure	45
12	Taxation And Non Specific Grant Incomes	45
13	Property, Plant And Equipment (PPE)	46
14	Investment Properties	50
15	Intangible Assets and Impairment Losses	50
16	Financial Instruments	52
17	Debtors	55
18	Cash And Cash Equivalents	55
19	Creditors	55
20	Usable Reserves	55
21	Unusable Reserves	56
22	Cash Flow Statement – Operating Activities	60
23	Cash Flow Statement – Investing Activities	60
24	Cash Flow Statement – Financing Activities	61
25	Amounts Reported For Resource Allocation Decisions	61
26	Trading Operations	66
27	Agency Services	66
28	Members Allowances	66
29	Officers' Remuneration and Termination Benefits	66
30	External Audit Costs	68
31	Grant Income	69
32	Related Party Transactions	69
33	Capital Expenditure And Capital Financing	71
34	Leases	71
35	Defined Benefit Pension Schemes	73
36	Contingent Assets and Liabilities	78
37	Nature And Extent Of Risks Arising From Financial Instruments	78