

# Public Document Pack



## RUSHMOOR BOROUGH COUNCIL

### LICENSING AND GENERAL PURPOSES COMMITTEE

*at the Council Offices, Farnborough on  
Monday, 26th September, 2016 at 7.00 pm*

**To:**

Cllr A. Jackman (Chairman)  
Cllr M.L. Sheehan (Vice-Chairman)

Cllr Sophia Choudhary  
Cllr Liz Corps  
Cllr A.H. Crawford  
Cllr B. Jones  
Cllr S.J. Masterson  
Cllr M.D. Smith  
Cllr L.A. Taylor  
Cllr Jacqui Vosper  
Cllr J.E. Woolley

Enquiries regarding this agenda should be referred to the Committee Administrator,  
Kathy Flatt, Democratic and Customer Services, Tel. (01252) 398829 or email  
[kathy.flatt@rushmoor.gov.uk](mailto:kathy.flatt@rushmoor.gov.uk).

# **A G E N D A**

1. **MINUTES – (Pages 1 - 4)**

To confirm the Minutes of the Meeting held on 27th June, 2016 (copy attached).

2. **INTERNAL AUDIT - AUDIT UPDATE – (Pages 5 - 6)**

To consider the Internal Auditor's Report No. AUD1602 (copy to follow), which provides a general update on internal audit work.

3. **STATEMENT OF ACCOUNTS AND AUDIT RESULTS REPORT 2015/16 – (Pages 7 - 124)**

To consider the Head of Financial Services' Report No. FIN1620 (copy attached), which seeks approval for the Council's Statement of Accounts and summarises the findings of the Council's auditors, Ernst & Young, in carrying out their audit work in relation to the 2015/16 financial year. A representative from Ernst & Young will be in attendance to present their Audit Results Report 2015/16 (copy attached as Appendix).

## **PUBLIC PARTICIPATION AT MEETINGS**

Members of the public may ask to speak at the meeting on any of the items on the agenda by writing to the Committee Administrator at the Council Offices, Farnborough by 5.00 pm three working days prior to the meeting.

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## LICENSING AND GENERAL PURPOSES COMMITTEE

Meeting held on Monday, 27 June 2016 at the Council Offices, Farnborough at 7.00 pm.

### **Voting Members**

Cllr A. Jackman (Chairman)  
Cllr M.L. Sheehan (Vice-Chairman)

Cllr Liz Corps  
Cllr A.H. Crawford  
Cllr B. Jones  
Cllr S.J. Masterson  
Cllr M.D. Smith  
Cllr L.A. Taylor  
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Councillor Sophia Choudhary.

### **8. MINUTES**

The Minutes of the Meeting held on 26th May, 2016 were approved and signed by the Chairman.

### **9. EXTERNAL AUDITOR - PROGRESS REPORT - JUNE 2016**

The Committee welcomed to the meeting Mr. Adrian Balmer, Manager at Ernst and Young. Mr. Balmer presented his company's audit progress report, a copy of which had previously been circulated to the Committee. The purpose of the report was to provide an overview of the progress made in respect of work to be completed during the 2015/16 audit. The report summarised actions in connection with the fee letter, financial statements, value for money, the appointment of an external auditor, financial close arrangements and set out a timetable showing the key stages of the audit.

**RESOLVED:** That the audit progress report be noted.

### **10. STATEMENT OF ACCOUNTS 2015/16 - DUTIES AND RESPONSIBILITIES**

The Committee received the Head of Financial Services' Report No. FIN1612, which set out the Council's draft Statement of Accounts and the Committee's duties and responsibilities in respect of the Statement.

The Statement of Accounts for 2015/16 had been prepared in line with CIPFA's Code of Practice on Local Authority Accounting, under International Financial Reporting Standards and in accordance with the Accounts and Audit (England) Regulations 2015. CIPFA recommended practice was to issue the Statements to

'those charged with governance' in advance of the September approval meeting in order to allow sufficient time for due consideration of the information.

The Committee's role was to provide effective scrutiny of the Council's financial statement. This formed part of a system of financial responsibility, as set out in the draft Statement of Accounts. In considering the accounts, the Committee would need to have regard to: materiality; transparency; valuation; consistency; completeness; legality/litigation; classification; economic climate/going concern principle; risk of error; fraud; and, rights and obligations. Once these factors had been considered, Members would also need to be satisfied that the accounts represented a true and fair view of the Council's financial position.

Members would also need to consider what sources of information that could be used to help them to approve the accounts and from whom they might seek assurance. A variety of sources could be used that could supply a clear and consistent message about the financial performance of the organisation. These sources might include: internal audit; the work of the Licensing and General Purposes Committee in considering fraud, risk and internal reporting; statements of senior officers; external audit opinion; inspections by HMRC (VAT, PAYE); financial and performance reports; Members' own knowledge of the affairs of the Council; information regarding economic climate, interest rates, property prices, inflation; and, expert knowledge (eg actuarial reports).

Members raised questions in respect of the accounts being available to members of the public, major legislative changes; and, rogue landlords operating HMOs without the necessary planning permission.

**RESOLVED:** That the Head of Financial Services' Report No. FIN1612 be noted.

## **11. TREASURY MANAGEMENT OPERATIONS 2015/16**

The Committee received the Head of Financial Services' Report No. FIN1613, which set out the main treasury management activities during 2015/16 and provided an update on the current economic conditions affecting treasury management decisions.

It was noted that the Council's treasury team continued to concentrate on the security of investments, having due regard to the returns available. Continued low interest rates throughout the financial year, coupled with a lack of suitable counterparties with whom to invest, had made this activity challenging. However, overall investment income had outperformed the original budget by around £94,000 and had contributed £894,000 to the Council's General Fund during 2015/16. Members were advised that all treasury management activity during 2015/16 had been carried out in accordance with the Annual Treasury Management Strategy and had complied with the treasury and prudential indicators and with the Treasury Management Code of Practice.

**RESOLVED:** That the Head of Financial Services' Report No. FIN1613 be noted.

## **12. INTERNAL AUDIT - AUDIT OPINION**

The Committee considered the Audit Manager's Report No. AUD1601, which provided an overview of internal audit, the proposed reporting approach, plan of work for 2016/17 and the audit opinion for 2015/16.

In respect of producing the plan of internal audit work for 2016/17, it was noted that a range of issues had been taken into consideration, including: external audit requirements; risk assessments of activities; corporate initiatives; skills available to undertake the audit; requests from services; alignment of the plan with corporate priorities; and, issues and views raised by Committee Members. Members noted that the audit plan for 2016/17 would focus on: meeting the needs of the external auditors; support of organisational change and development; corporate governance; and, links to the 8-Point Plan.

The Committee was advised that the Public Sector Internal Audit Standards (PSIAS) 2013 (and amended 2016) required the Head of Internal Audit to provide an annual opinion of the Council's system controls. It was noted that the overall adequacy and effectiveness of the Council's framework of governance, risk management and control was appropriate. This opinion was based on the evidence provided from audits carried out in 2015/16 on the major financial systems used by the Council. All high priority audit recommendations had been agreed by senior management and were being introduced. Once implemented, it was felt that these would further improve the Council's overall control environment.

It was also noted that a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme were also required to be reported. Members were advised that work was underway to update this and the results would be reported within 2016/17.

**RESOLVED:** That

- (i) the Audit Manager's Report No. AUD1601 be noted: and
- (ii) the proposed meeting and reporting cycle for 2016/17, as set out in the Report, be endorsed.

## **13. ANNUAL GOVERNANCE STATEMENT 2015/16**

The Committee considered the Solicitor to the Council's Report No. LEG1608, which sought the approval of the Council's Annual Governance Statement for 2015/16.

Members were advised that the Accounts and Audit Code of Regulations 2015 and Regulation 6 (1) required local authorities to prepare an Annual Governance Statement. These had replaced the Accounts and Audit Regulations 2003 (as amended in 2006 and 2011) which had previously been in place. CIPFA had also published a revised version of its framework document on preparing the Code of Governance entitled Delivering Good Governance in Local Government: Framework (2016 Edition). During the course of 2016 the Council's Code of Governance would be reviewed against this and a revised version would be brought to the Committee

for approval. The Regulations required councils to ensure that their financial management was adequate and effective and that there was a sound system of internal control.

The Annual Governance Statement had to include notification of any significant internal control issues and an action plan to address them. The Committee was advised that no significant issues had been identified for 2015/16. A number of actions for the current year had been identified and would be addressed during the year. The Leader of the Council and the Chief Executive were required to sign the Annual Governance Statement. The Annual Governance Statement, when approved, would be published alongside the Statement of Accounts by 30th September, 2016.

During discussion, a question was raised regarding co-location of the Council with other organisations at the Council Offices and the impact on car parking availability.

**RESOLVED:** That

- (i) the Annual Governance Statement, as set out in the Solicitor to the Council's Report No. LEG1608, be approved; and
- (ii) the Annual Governance Statement be published with the Council's Statement of Accounts.

The meeting closed at 7.40 pm.

CLLR A. JACKMAN (CHAIRMAN)

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## INTERNAL AUDIT – AUDIT UPDATE

### 1 INTRODUCTION

- 1.1 This is a periodical report for Committee on the work of Internal Audit to provide an overview of the work undertaken during March 2016 to August 2016.
- 1.2 The last report was presented to the Committee on the 27th June 2016 where details of the audit plan for the current financial year were reported.

### 2 DETAILS OF KEY WORK COMPLETED DURING MARCH 2016 TO AUGUST 2016

#### (1) Capital Projects – Slipped Projects (2015/16)

- 2.1 An audit of capital projects, that have been deferred over the last 3 financial years was carried out to identify reasons for the slippage, and if any trends were highlighted.
- 2.2 The key findings from this audit were:
- There is some slippage of projects each year, 44% of projects in 2013/14 and 56% of projects in 2014/15.
  - Of the 48 projects slipped over the 3-year period, 7 of these had been slipped for more than 3 financial years.
  - The majority of the slipped projects related to building works/improvements, highways work/improvement or sports/recreational facilities.
  - External conditions were shown to contribute to the majority of the slippages sampled. For example, due to requiring external agreement or external funding.
- 2.3 The audit produced similar results and conclusions to the Capital Projects Audit carried out and presented to the Directors Management Board in October 2015. Therefore, no recommendations were made as actions from the previous audit would help to address the findings within this audit. A follow up on these recommendations is scheduled to be carried out later on this year and will be reported to the Committee at the next meeting.

## (2) **Audit Follow-ups**

2.4 The follow ups below have been carried out. All the following showed progress being made towards implementing the recommendations agreed as part of the audit:

- Financial Grants
- Parking Management System
- Planning Enforcement
- Express System (The Elections system)
- IT Network Security

2.5 A follow up was also carried out on the Mobile Devices audit. One high priority recommendation has not yet been fully implemented. This is being referred back to the Directors Management Board for further discussions on a way forward and will be report to this committee at the next meeting.

## 3 **WORK UNDERWAY**

3.1 The following audit work is currently underway and the findings will be reported at the next Committee meeting:

**Public Sector Internal Audit Standards (PSIAS)** – These are standards which came into affect in April 2013. They have been developed with a number of different organisations including the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Institute of Internal Auditors (IIA). The standards replace the old CIPFA standards adhered to by Internal Audit. They detail areas of internal audit work, which are expected in order to be compliant with the standards. A self-assessment against the standards is currently being undertaken and the results will be reported at the next committee meeting.

## 4 **ACTION AND ENDORSEMENT REQUIRED BY THE COMMITTEE**

4.1 The Committee is requested to note the content of the report.

**Nikki Fowler**  
**Audit Manager**

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## **STATEMENT OF ACCOUNTS 2015/16 & AUDIT RESULTS REPORT 2015/16**

### **1 INTRODUCTION**

- 1.1 The purpose of this report is to seek Members' approval for the Council's Statement of Accounts for 2015/16 and to draw to the Committee's attention the findings of the Council's auditors, Ernst & Young, in carrying out their audit work in relation to the 2015/16 financial year.

### **2 STATEMENT OF ACCOUNTS 2015/16**

- 2.1 The Statement of Accounts for 2015/16 has been prepared in line with CIPFA's 'Code of Practice on Local Authority Accounting' for 2015/16, under International Financial Reporting Standards (IFRS) and in accordance with the Accounts and Audit (England) Regulations 2015.
- 2.2 The regulations require a committee of the Council to consider and approve the Statement and ensure that it is signed by the chairman of the approving committee. Following approval, the Statement must be published by the 30<sup>th</sup> September 2016.
- 2.3 The Statement of Accounts consists of the following sections and is attached at Appendix A.
- Narrative Statement
  - Statement of Responsibilities
  - Core Financial Statements – Movement in Reserves, Comprehensive Income and Expenditure, Balance Sheet and Cash Flow.
  - Notes to the Core Financial Statements – including accounting policies
  - Collection Fund and accompanying notes
- 2.4 The Council's Annual Governance Statement, which was approved by the Licensing and General Purposes Committee on 27<sup>th</sup> June 2016, is required to be published alongside the Statement of Accounts and is therefore included in Appendix A.
- 2.5 The Statement of Accounts included in Appendix A reflects the position at 15<sup>th</sup> September 2016. The audit is currently ongoing but the auditors plan to

conclude their work on 16<sup>th</sup> September 2016. Any changes that may arise in the final version will be reported to the Committee in a table of amendments at the meeting on the 26<sup>th</sup> September 2016.

### **3 AUDIT RESULTS REPORT 2015/16**

- 3.1 As mentioned in paragraph 2.5 of this report, the auditors have not yet concluded the audit of the financial statements or finalised their Audit Results Report.
- 3.2 However, the draft Audit Results Report contains no items of significance and indicates that an unqualified opinion on the financial statements is expected to be issued, alongside a conclusion that the Council has put in place proper arrangements to secure value for money in our use of resources.
- 3.3 The final Audit Results Report will be issued to Members as soon as it becomes available. A representative from Ernst & Young will attend the Committee to present the findings of the report.

### **4 RECOMMENDATIONS**

- 4.1 It is recommended that the Committee:
- i) Note the Auditor's Audit Results Report;
  - ii) Approve the financial statements for 2015/16;
  - iii) Approve the letter of representation, and
  - iv) That the Chairman sign page 13 of the Statement of Accounts 2015/16 attached as Appendix A to certify the Committee's approval

**AMANDA FAHEY**  
**HEAD OF FINANCIAL SERVICES**

People and  
Communities



Prosperity



Place



Leadership



Good Value  
Services

# Statement of Accounts and Annual Corporate Governance Statement 2015 - 16

**RUSHMOOR**  
BOROUGH COUNCIL



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## Narrative Statement from the Chief Financial Officer

The Narrative statement that accompanies the Statement of Accounts is designed to provide an overall explanation of the Council's financial position, during 2015/16 and looking ahead, including information about the operation of the Council and the major influences affecting its accounts.

The aim of the report is to assist readers in their understanding and interpretation of the accounting statements, in order to provide confidence that public money has been properly accounted for and that the financial standing of the Council is secure.

Inclusion of a Narrative statement is a change in requirements for 2015/16 replacing the Explanatory Foreword that accompanied the Statements in previous years. In addition, there have been changes to the requirements for approval, inspection and publication of the Statement of Accounts, as set out in the Accounts and Audit Regulations 2015. This includes a requirement for all local authorities to provide a 30-day public inspection period, which must include the first 10 working days of July. Notification of the period is reported on the Council's website, alongside the unaudited, draft Statement. While there is no longer a requirement for the relevant committee (in Rushmoor's case, Licensing and General Purposes Committee) to review the draft Statement of Accounts ahead of final approval in September, we have undertaken to present the draft to Committee in June, in line with good practice.

The Narrative statement contains the following key sections:

1. An introduction to Rushmoor
2. Key facts about the Council
3. Financial performance of the Council 2015/16
4. Non-financial performance of the Council 2015/16
5. Corporate Risks
6. Explanation of the Financial Statements

### 1. An introduction to Rushmoor

The Borough of Rushmoor, with an estimated population of around 95,300, covers an area of 3,905 hectares at the Northeast corner of Hampshire, with its eastern boundary with Surrey being formed by the River Blackwater. London is some thirty miles away and the Borough is served by direct road and rail links to the capital and the south coast.

Rushmoor includes the towns of Aldershot, with its world famous military history and Farnborough, long noted as the birthplace of aeronautical research and development and served by Farnborough Airport. The urban area extends the full length of the Borough from the southern boundary with Farnham to the towns of Frimley and Camberley across the River Blackwater in the north. The military area and Farnborough Airport occupy the land between Aldershot and Farnborough and to the west of those towns, although work has now commenced on Wellesley, a major redevelopment of an area of former Ministry of Defence land north of Aldershot, which will see an additional 3,850 properties over the next fifteen years.

### 2. Key facts about Rushmoor Borough Council

Rushmoor Borough Council is a complex organisation providing a wide variety of services to the public, from regulatory services including licensing, planning and building control, to universal services such as waste collection and recycling and welfare services such as housing needs and the administration of housing benefits. Behind these frontline services, are all of the support functions that enable the services to happen, such as finance, IT and legal services as well as our customer services staff that look after the

customers visiting and contacting the Council. These are just a few services among the many provided by a Council employing around 300 members of staff.

The Council's policies are directed by its political leadership and implemented by the Directors' Management Board, Heads of Service and other officers of the Council.

- The Political Structure of the Council in the 2015/16 Municipal Year

Rushmoor has 13 wards and the Council consists of 39 elected Members. Following the local elections on 22nd May 2014, the political make-up of the Council was:

Conservative Party	26 Councillors
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Labour Party	11 Councillors
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UKIP	2 Councillors
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The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

- **The Management Structure of the Council**

Supporting the work of elected Members is the organisational structure of the Council headed by the Chief Executive as the Head of Paid Service. The Directors' Management Board (DMB), consisting of the Chief Executive and two Directors, considers and co-ordinates the management and future plans of the Council, providing operational leadership and support to elected Members alongside the delivery of Council services.

The Head of Financial Services and Chief Financial Officer is able to attend all meetings of DMB, as is the Solicitor to the Council as Monitoring Officer. This ensures that these key statutory roles have on-going access to the most senior level of the Council.

On 31st March 2015, the Cabinet considered and approved a report amending the Council's structure, creating Corporate Directors, leading on cross-cutting themes, rather than individual services, and reducing the number of Heads of Service from nine to eight. Individual services and activities were realigned more efficiently, bringing together work that had previously been split across services and some additional resources were proposed to deliver new priorities.

An outline of the structure follows:





**• Key issues that influenced the Council and its financial position in 2015/16**

The PESTLE analysis shown below highlights some of the key issues influencing the Council in 2015/16 and looking ahead to 2016/17.

## Political

- Impact of continuing central government austerity measures leading to reductions in central government funding for local government and greater emphasis on locally generated funding
- Housing and Planning Act: Consideration of impact on the Council and its residents
- General Election May 2015/ EU Referendum June 2016
- The devolution debate – consideration of options for Rushmoor Borough Council within a wider combined authority structure
- Plans to move to 100% local retention of Business Rates

## Economic

- Regeneration: The Council continued with its town centre regeneration plans for Aldershot and Farnborough (see below under 'Environmental' for detail)
- Economy: The impact of the economy has been felt via the austerity measures referred to above in addition to pressure on income streams as residents' income is squeezed and low interest rates impact on the Council's investments.
- Pressure on partners: local voluntary sector organisations have been under increasing demand pressure from residents.
- Local growth in business rates during 2015/16
- Business rates revaluation 2017

## Social

- Demographic changes: Rushmoor faces both an ageing population and a pressure on school places.
- Community and Social Cohesion: Remains a high priority for Rushmoor, with delivery of its Cohesion Strategy and Neighbourhood renewal plans high on the agenda.
- Rushmoor increased its role locally on the Supporting Families Initiative.
- Educational attainment has become a local priority with Rushmoor being an active participant in support for local schools and their recruitment issues

## Technological

- Rushmoor has been responding to a number of technological challenges such as developing new ways of working including remote or flexible working for staff, the accessibility of services for customers and the impact of social media. In 2015/16, work continued on the Channel Shift programme, developing more efficient ways to interact with our customers.
- Alongside this, the Council has been developing a Digital Strategy, which describes how we will use modern tools and technologies to enable services which are effective, convenient and value for money and which help make Rushmoor a better place to live and work.
- Responding to the threat of cyber-crime and maintaining security compliance

## Legal

- Responding to legislation such as the Housing and Planning Act, Local Audit and Accountability Act, Cities and Local Government Devolution Act 2016 etc. and assessing the impact on the Council and its residents

## Environmental

- The shortage of Suitable Alternative Natural Green Space (SANGS) has begun to impact on housing supply and the Council is actively seeking alternative options
- The Wellesley development in Aldershot is progressing with the provision of 3,850 homes over the medium- to long-term
- Progressing the Local Plan and working with the duty to co-operate with neighbouring planning authorities.
- Farnborough Civic Quarter Masterplan Supplementary Planning Document (SPD) adopted in June 2015 – provides the planning framework for redevelopment of the area
  
- Aldershot Town Centre Prospectus SPD adopted in January 2016 – provides the planning framework for a number of key sites around the town including The Galleries, Railway Station and Union Street East.
  
- The Council has established an Aldershot Town Centre Regeneration Working Group (May 2016) to take forward the aspirations of the Prospectus and encourage investment in the town centre.

### • The Medium Term Financial Strategy

The Council has a rigorous budget process, setting itself a budget that incorporates the Council's priorities and objectives over the medium term and producing a Financial Strategy, a Medium Term Financial Forecast, detailed budget reports which are approved by Full Council each year and the annual budget book. The Financial Strategy sets out the framework for the production of the Medium Term Financial Forecast and the annual budget. It is reviewed and updated in response to internal and external factors such as changing corporate priorities, prevailing economic conditions, government policy and changes to funding mechanisms. The Strategy underpins the Corporate Plan and provides the basis for delivering a stable and sustainable financial position to enable the Council to achieve its strategic objectives.

Given the uncertain (although improving) economic climate, major government policy changes and changes to the funding mechanisms for local government, the financial position of the Council is potentially more volatile and subject to greater risk than in the past. The austerity measures introduced by central government to tackle the national budget deficit have impacted heavily on local government and are likely to continue for some time. The economic climate also affects the levels of income from services such as planning, parking, land charges and building control, which are factored into the medium term forecast. Other areas affected would be interest receipts given the low level of current interest rates. This has been mitigated in part in 2015/16 by greater diversification in our investment portfolio.

One of the key elements of the Financial Strategy has been the Council's approach to reserves. The strategy allows reserves to be set aside to mitigate against specific, known risks and against unexpected fluctuations in the Council's income streams. For example, in 2012/13, a new Stability and Resilience Reserve was created to enable the Council to weather sudden downturns in its income, which might arise through the operation of the new Business Rates Retention Scheme or due to general economic pressures on income. Reserves are also set aside to support major projects within the Corporate Plan, which support delivery of the Council's strategic objectives as well as invest-to-save schemes. The level of balances for the Council's general revenue fund has

been set at a range of £1million - £2 million. Together the balances and reserves provide an appropriate buffer against the risks facing local government generally and Rushmoor locally.

The Financial Strategy also sits as part of the Council's 8-point plan towards sustainability as set out below:

- The Workbook – looking at priorities and reviewing what we do
- Efficiency and Transformation - doing things smarter - looking at how we do things to reduce costs
- Income generation and investment opportunities
- Better use of property and assets
- Reviewing our Medium Term Financial Strategy
- Reviewing our organisational structure
- Better procurement
- Effective taxation policies

The plan is reviewed on an on-going basis by both officers and Members, ensuring its continued relevance, with clear accountability for each work-stream and realistic targets for achieving net cost reductions within relevant timescales.

The Cabinet have commissioned the Budget Strategy Working Group to:

- To monitor the delivery of the 8 – Point Plan against the objectives relating to income, savings and efficiencies
- To examine and provide input into the development of projects of the 8 – Point Plan
- To review the process for setting priorities and preparing the budget, including Member engagement in the process
- To monitor the Council's Medium Term Financial Strategy and progress towards achieving financial sustainability

In particular, the group are currently reviewing the Council's workbook ( a detailed log of all activities carried out by services) to identify areas for potential savings, income generation or efficiency review.

As mentioned already, alongside the financial review, sits the Council's Organisational Development Programme, which strives to create a workforce 'fit for the future', recognising that sustainability is as much about our staff and the way we work as it is about our financial position.

#### • The Capital Programme 2015/16 to 2018/19

The original Capital Programme for 2015/16 was approved at the Council meeting of 26th February 2015 and reflected a medium term view of capital expenditure and funding covering the period 2015/16 to 2018/19. As 2015/16 progressed, the estimates for the year were revised in line with new assumptions and information as it became available and for new projects approved during the year. A revised Capital Programme for 2015/16 was subsequently approved at the Council meeting of 25th February 2016 covering the period up to 2019/20.

The Capital Programme for 2015/16 and beyond reflects the Council's priorities and its 8-point plan including:

- Invest to save schemes and property investment schemes, which will generate additional income streams for the Council.
- Investment in local amenities such as football pitches and playgrounds, mainly funded by developers' contributions

- Continued investment in our town centres including major investment in Aldershot town centre and the links to the new Wellesley development
- Acquisition and development of a site for the provision of a depot for the Council's Waste, Recycling and Street Cleansing services
- Purchase of land for the provision of Suitable Alternative Natural Green Space in order to unlock housing development in the Borough
- The table below shows the revised capital programme for 2015/16 and the indicative programme for 2016/17 to 2019/20

<b>Capital Expenditure</b>	<b>Revised Estimate 2015/16 £000</b>	<b>Estimate 2016/17 £000</b>	<b>Estimate 2017/18 £000</b>	<b>Estimate 2018/19 £000</b>	<b>Estimate 2019/20 £000</b>
Corporate Services	2,752	2,117	3,153	240	235
Leisure & Youth	699	725	457	90	90
Environment & Service Delivery	4,551	5,119	987	100	100
Health and Housing	1,338	841	720	720	720
<b>Total Expenditure</b>	<b>9,340</b>	<b>8,802</b>	<b>5,317</b>	<b>1,150</b>	<b>1,145</b>

<b>Funded by:</b>	<b>Revised Estimate 2015/16 £000</b>	<b>Estimate 2016/17 £000</b>	<b>Estimate 2017/18 £000</b>	<b>Estimate 2018/19 £000</b>	<b>Estimate 2019/20 £000</b>
Revenue Contributions	1,159	750	750	750	750
Grants/Contributions from other bodies	2,273	2,155	1,097	437	437
Developers' Contributions	128	420	-	-	-
Capital Receipts	5,780	5,477	3,470	(37)	(42)
<b>Total Funding</b>	<b>9,340</b>	<b>8,802</b>	<b>5,317</b>	<b>1,150</b>	<b>1,145</b>

### 3. A summary of the 2015/16 financial performance of the Council

- Revenue Outturn Position

The Council's summary revenue outturn position is shown overleaf. The initial budget for 2015/16, approved by Council on 26th February 2015, forecast net revenue expenditure of £10.5 million funded by £5.5 million from Council Tax and £5.0 million from Central Government in the form of Revenue Support Grant and income under the revised system for distributing Business Rates. This allowed for a 0.0% increase in Council Tax, the inclusion of a Council Tax Freeze Grant of £60,000 from Central Government and committed or inescapable additional items of just £8,000. The budget also included expected savings, through cost reduction or income generation, of £500,000. This resulted in estimated general fund revenue balances of £2.0 million, which was at the top of the approved range for balances of £1 million to £2 million.

During 2015/16, a range of savings and improved income streams was achieved despite factors such as the prevailing economic conditions and reduced interest receipts due to continuing low interest rates. The operation of the business rate retention scheme also caused major movements in the surplus declared on the collection fund, transfers to and from reserves and the receipt of grants relating to business rate reliefs. These changes were incorporated into the 2015/16 Revised Budget, approved by the Council on 25th February 2016 and reduced the expected revenue balance to £1.5 million.

The provisional outturn for 2015/16, reported to Cabinet 31st May 2016, showed an improvement on this position with further savings and efficiencies being achieved, due in part to the continued restraint in spending exercised by Heads of Service and additional income generated in the latter part of the year. In addition, the operation of the business rates retention scheme again caused a high level of fluctuation with an improved in the outturn position for Rushmoor of £530,000 in 2015/16 (by paying less levy and receiving additional grants) despite the fact that the overall position for rates income has worsened, which will be reflected in future years.

During 2015/16, the Council was able to replenish its Stability and Resilience Reserve to £3.8m, allowing the Council flexibility to implement key projects in the Corporate plan and 8-point plan to achieve long term savings, rather than taking short term measures in reaction to the sometimes volatile nature of local government income and funding. In addition, £440,000 of the Service Improvement Fund was used to support projects such as channel shift, organisational development and major contract renewal in support of a sustainable financial future. Additional information regarding earmarked reserves can be found in note 8 to the Statement of Accounts.

<b>Revenue Outturn Summary</b>	<b>Revised Estimate 2015/16 £000</b>	<b>Outturn 2015/16 £000</b>	<b>Variance 2015/16 £000</b>
Net Service Expenditure	12,815	12,207	(608)
Corporate Income and Expenditure	(5,353)	(4,105)	1,248
Contributions to/(from) Reserve accounts	4,748	4,280	(468)
Central Government Funding	(6,612)	(7,268)	(656)
Contribution to/(from) balances	(122)	362	
<b>Council Tax Requirement</b>	<b>5,476</b>	<b>5,476</b>	
1 April 2015	1,638	1,638	
General Fund Transfer	(122)	362	
<b>31 March 2016</b>	<b>1,516</b>	<b>2,000</b>	

The table above does not correspond directly to any of the core statements presented in the Statement of Accounts 2015/16. This is because it contains a combination of figures from both the Comprehensive Income & Expenditure Statement and the Movement in Reserves, while omitting other figures that appear in those statements. The summary presented above is based on the format that is used to present the revenue budget to Members and its aim is to show the effect of the year's transactions on the General Fund Balance. Accounting transactions for items such as Pension Accounting, Capital charges and Employees Benefit adjustments for example, which are all adjusted for elsewhere in the core statements, are not included here, as they have no direct impact on the level of general fund reserves.

### • Capital Outturn Position

The Council spent £4.0 million on its capital programme in 2015/16, which is shown in the following table. The funding for the programme is also set out, showing that just over half of the programme was funded from internal resources while the remainder was funded from grants and contributions, with no requirement for external borrowing.

<b>Capital Outturn Summary</b>	<b>Revised Estimate 2015/16 £000</b>	<b>Outturn 2015/16 £000</b>	<b>Variance 2015/16 £000</b>
Capital Expenditure			
Property, Plant and Equipment	6,146	1,541	(4,605)
Intangible Assets	183	316	133
Grants to Registered Social Landlords	204	40	(164)
Improvement Grants	1,134	583	(551)
Town centre works & other minor projects	1,673	1,511	(162)
<b>Total Capital Expenditure</b>	<b>9,340</b>	<b>3,991</b>	<b>(5,349)</b>
Funded by:			
Capital Receipts	5,780	835	(4,945)
Government Grants and Contributions	2,401	653	(1,748)
Direct Revenue Contributions	1,159	1,116	(43)
Borrowing	-	1,387	1,387
<b>Total Funding</b>	<b>9,340</b>	<b>3,991</b>	<b>(5,349)</b>

As can be seen from above there was a variation between forecast and final capital outturn. The majority of this expenditure will be re-profiled into 2016/17 together with its financing. This slippage has occurred for reasons such as poor weather preventing work from being undertaken as scheduled.

#### 4. Non-Financial Performance of the Council

During 2015/16, Rushmoor Borough Council has continued its drive towards a sustainable future, developing plans for a workforce fit for the future, continuing its improvement and efficiency work using System Thinking principles and continuing to deliver high quality services to its residents while seeking to reduce costs.

As the financial statements demonstrate, the Council continues to maintain a sound financial position. We have established good financial management processes and procedures and, recognising that we operate in an environment of continuous change, we will pursue our drive for on-going improvement, working collaboratively across the Council, and with partners where appropriate, to deliver effective end-to-end processes. For example, during 2015/16 the Council's Contract Standing Orders were reviewed by the Council's Legal team, in consultation with the Procurement team, Financial Services and purchasing officers across the Council. An extensive programme of workshops was held for all staff involved in the purchase of goods and supplies to ensure understanding of the new guidelines, which should lead to effective, efficient use of the Council's resources by securing value for money from its contracts and purchases

As mentioned previously, a key work strand for the Council in 2015/16 and beyond is our organisational development programme. During 2015/16, we have redesigned our appraisal system, renewing focus on learning and development for individuals, ensuring we have the right mix of skills in the organisation to support our transformation projects and new ways of working. A programme of action learning sets was established alongside training for 'crucial conversations' to help improve communication in the organisation and unlock issues. Learning networks were established for key areas such as digital working to share best practice and ideas and a review of Personnel services was undertaken. For 2016/17 and beyond, a programme of actions is being put together to continue this vital work stream.

Our quarter 4 Corporate Performance Monitoring report can be found on our website at Cabinet meeting - 31 May 2016 - Rushmoor Borough Council and contains extensive performance data relating to each of our five themes. This includes Community Safety data such as local crime rates, educational attainment, benefit caseloads and local economic data. In addition, it provides progress reports against key schemes with the Council's 8 point plan for achieving financial sustainability as well as the Organisation Development Programme.

## 5. Corporate Risks

Corporate risk is monitored via the use of a Corporate Risk register which identifies the likelihood and severity of key risk issues. Periodic updating of the PESTLE analysis also identifies key risk areas for the Council and helps to shape our priorities. We believe that our performance monitoring, both financial and non-financial, our governance arrangements and our focus on the sustainability of the organisation, mitigates the risks we are facing and we are well placed to respond to the ever-changing environment.

## 6. Explanation of the Financial Statements

Rushmoor Borough Council's Statement of Accounts for the year ended 31st March 2016 is set out on the following pages. The Statement has been prepared in accordance with requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The style and format is similar to that of previous years while the content has been reviewed in line with our aim to remove clutter from the accounts.

The Statement of Accounts consists of the following core financial statements and accompanying notes:

- **The Movement in Reserves Statement** summarises the changes in balances on the Council's reserves in the year. Reserves are classified as either usable or unusable. Usable reserves include the unallocated General Fund Balance, Earmarked Revenue Reserves and the Capital Receipts Reserve. These are the reserves that the Council can apply to future expenditure subject to statutory conditions (e.g. the Capital Receipts Reserve can only be used to finance capital expenditure). Unusable reserves such as the Capital Adjustment Account and Revaluation Reserve generally reflect the timing differences between the purchase and the consumption of the economic benefits of assets.
- **The Comprehensive Income and Expenditure Statement** combines the former Income and Expenditure Account and the Statement of Total Recognised Gains and Losses. This statement shows all income and expenditure incurred by the Council throughout the year; including day-to-day transactions from running the organisation as well as gains / losses on assets and pension liabilities. The total comprehensive income and expenditure shown represents the total movement in the Council's reserves during the year.
- **The Balance Sheet** shows the financial position of the Council as at 31st March 2016. It discloses the assets and liabilities for all Council services.
- **The Cash Flow Statement** summarises the Council's cash transactions for the year.

Also included in the Statement of Accounts is the following supplementary financial statement and accompanying notes:



• **The Collection Fund Statement** which is a statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with payments to Precepting Authorities, Central Government and its own General Fund.

### **Other Reports/Statements**

The independent Auditor's Report provides the auditor's opinion on the financial statements and the authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

The Council is required to ensure that its financial management is adequate and effective and that there is a sound system of internal controls including arrangement for the management of risk. The Annual Governance Statement, approved following the annual review of this system of internal control, has been included in this document, in addition to the Statement of Accounts.

### **Accounting Policies**

The Council's accounting policies are laid out in Note 1 to the Core Financial Statements. There were changes to accounting policies in 2015/16 in relation to the concept of IFRS 13 Fair Value in measuring the value of assets and liabilities. A standardised methodology for the observation of Fair Value as determined in IFRS 13 has now been adopted.

### **Significant items of income or expenditure**

While there have been no material assets acquired by the Council during 2015/16, or any significant new liabilities incurred, there are some large items of income and expenditure to be brought to the attention of the reader of the accounts.

#### Non-Current Assets

The Council continues to seek the advice of its Valuer as well as employing an external company of Chartered Surveyors for the valuation of capital assets on a rolling cycle. Valuations were made in 2015/16 for (1) Investment properties, resulting in a range of relatively minor gains & losses transacted through the Comprehensive Income and Expenditure Account, (2) Surplus assets, resulting in a valuation increase for one asset held, & (3) Car parks, revaluations producing increases amounting to £4m for the majority of car parking sites dependent on ascertainment of income received in relation to each site. An exception in relation to two car parks has occurred because their ability to generate buoyant income had reduced in the year. The impairment in value for these two car parks amounted to over £3million. The reader is reminded that the increases and reductions in asset value for the above stated car parks has no direct effect on the General Fund revenue account affecting the 'book value' of the car parks only. The Council is looking at ways where income can be stimulated at the two value impaired car parks to improve their value for the future.

#### Business Rates Retention Scheme

Changes to the Business Rates Retention Scheme were introduced some years ago. Under this scheme, the Council's share of estimated rates income for 2015/16 was around 18.6million, against which it paid a tariff to central government of £23.3 million. As with the Council Tax Collection Fund, any difference in actual collection from these budgeted figures produces a surplus or deficit, which is declared in the following financial year.

#### Borrowing

The Council borrowed £4.7million from the M3 Local Enterprise Partnership in order to finance some specific capital projects. £1.4million of this sum was spent in 2015/16, and the Council looks to accelerate the related expenditure connected to this borrowed sum in the following financial year.

**Receipt of further information**

Further information about the statements is available from the Head of Financial Services, Council Offices, Farnborough Road, Farnborough, Hampshire GU14 7JU. The statements are also available on the Council's website – [www.rushmoor.gov.uk](http://www.rushmoor.gov.uk)

**Acknowledgements**

The production of the Statement of Accounts would not have been possible without the hard work and dedication of staff across the Council. I would like to thank my colleagues both in Financial Services and from other departments, who have played a role in the preparation of this document.

Amanda Fahey  
Head of Financial Services and Chief Financial Officer

### The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

### The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

### The Chief Financial Officer has also:

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

### Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Rushmoor Borough Council and its income and expenditure for the year ended 31st March 2016.

**Amanda Fahey**  
**Chief Financial Officer**  
**Date:** 26th September 2016

### Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Licensing and General Purposes Committee on 26th September 2016.

**Cr. A. Jackman**  
**Chair of Licensing and General Purposes Committee**  
**Date:** 26th September 2016

**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.

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>31 March 2014</b>	<b>2,122</b>	<b>9,516</b>	<b>20,549</b>	<b>62</b>	<b>32,249</b>	<b>28,871</b>	<b>61,120</b>
Deficit on provision of services	(2,081)	-	-	-	(2,081)	-	(2,081)
Other Comprehensive Exp and Inc	-	-	-	-	-	(502)	(502)
<b>Total Comprehensive Inc and Exp</b>	<b>(2,081)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,081)</b>	<b>(502)</b>	<b>(2,583)</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	(4,308)	-	(941)	-	(5,249)	5,249	-
<b>Net increase/ (decrease) before transfers to earmarked reserves</b>	<b>(6,389)</b>	<b>-</b>	<b>(941)</b>	<b>-</b>	<b>(7,330)</b>	<b>4,747</b>	<b>(2,583)</b>
Transfers to/(from) Earmarked Reserves (Note 7)	5,905	(5,905)	-	-	-	-	-
Increase/(Decrease) in year	(484)	(5,905)	(941)	-	(7,330)	4,747	(2,583)
<b>31 March 2015</b>	<b>1,638</b>	<b>3,611</b>	<b>19,608</b>	<b>62</b>	<b>24,919</b>	<b>33,618</b>	<b>58,537</b>
Deficit on provision of services	(6,767)	-	-	-	(6,767)	-	(6,767)
Other Comprehensive Exp and Inc	-	-	-	-	-	7,442	7,442
<b>Total Comprehensive Inc and Exp</b>	<b>(6,767)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,767)</b>	<b>7,442</b>	<b>675</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	11,409	-	(776)	-	10,633	(10,633)	-
<b>Net increase/ (decrease) before transfers to earmarked reserves</b>	<b>4,642</b>	<b>-</b>	<b>(776)</b>	<b>-</b>	<b>3,866</b>	<b>(3,191)</b>	<b>675</b>
Transfers to/(from) Earmarked Reserves (Note 7)	(4,280)	4,280	-	-	-	-	-
Increase/(Decrease) in year	362	4,280	(776)	-	3,866	(3,191)	675
<b>31 March 2016</b>	<b>2,000</b>	<b>7,891</b>	<b>18,832</b>	<b>62</b>	<b>28,785</b>	<b>30,427</b>	<b>59,212</b>

**Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15				2015/16		
Gross Exp £000	Gross Income £000	Net Exp £000		Gross Exp £000	Gross Income £000	Net Exp £000
2,615	(721)	1,894	Central Services to the Public	2,728	(540)	2,188
5,587	(1,572)	4,015	Cultural and Related Services	5,652	(2,053)	3,599
7,276	(2,587)	4,689	Environmental and Regulatory	7,796	(2,722)	5,074
32	(52)	(20)	Public Health	40	(21)	19
2,764	(1,043)	1,721	Planning Services	4,202	(1,097)	3,105
3,239	(3,378)	(139)	Highways and Transport Services	4,481	(2,511)	1,970
40,970	(38,993)	1,977	Other Housing Services	40,639	(38,871)	1,768
13	-	13	Adult Social care	10	-	10
1,468	(13)	1,455	Corporate & Democratic Core	1,621	(11)	1,610
3	-	3	Non-Distributed Costs	-	-	-
63,967	(48,359)	15,608	<b>Cost of services - continuing operations</b>	67,169	(47,826)	19,343
1	(27)	(26)	Other Operating Expenditure (Note 8)	150	(71)	79
3,084	(2,799)	285	Financing and investment income and expenditure (Note 9)	2,092	(2,784)	(692)
16,664	(30,450)	(13,786)	Taxation and Non-Specific Grant Income and Expenditure (Note 10)	16,571	(28,534)	(11,963)
83,716	(81,635)	<b>2,081</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	85,982	(79,215)	<b>6,767</b>
			<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>			
		(3,597)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (Note 23)			(3,587)
		4,420	Remeasurement of the net defined benefit liability/(asset) (Note 23)			(3,990)
		<b>823</b>				<b>(7,577)</b>
			<b>Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services</b>			
		(321)	(Surplus) or deficit on revaluation of available for sale financial assets (Note 23)			135
		<b>502</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(7,442)</b>
		<b>2,583</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(675)</b>

**Balance Sheet**

The Balance Sheet shows the value as at the balance sheet date of 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 may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority 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 are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015	<b>Balance Sheet</b>	31 March 2016	
<b>£000</b>		<b>£000</b>	<b>Notes</b>
47,263	Property, Plant & Equipment	48,354	11
258	Heritage Assets	258	12
26,300	Investment Property	26,181	13
670	Intangible Assets	772	15
22,441	Long-term Investments	27,563	16
132	Long Term Debtors	182	16
<b>97,064</b>	<b>Long Term Assets</b>	<b>103,310</b>	
17,191	Short Term Investments	5,183	16
3	Inventories	-	
4,878	Short Term Debtors	4,767	17
8,196	Cash and Cash Equivalents	6,823	18
<b>30,268</b>	<b>Current Assets</b>	<b>16,773</b>	
738	Cash and Cash Equivalents	26	18
-	Short Term Borrowing	579	
19,070	Short Term Creditors	8,197	19
-	Provisions	27	20
<b>19,808</b>	<b>Current Liabilities</b>	<b>8,829</b>	
1,761	Long Term Provisions	2,397	20
-	Long Term Borrowing	4,121	21
45,726	Other Long Term Liabilities	43,286	21
1,500	Capital Grants Receipts in Advance	2,238	33
<b>48,987</b>	<b>Long Term Liabilities</b>	<b>52,042</b>	
<b>58,537</b>	<b>Net Assets</b>	<b>59,212</b>	
24,919	Usable Reserves	28,785	22
33,618	Unusable Reserves	30,427	23
<b>58,537</b>	<b>Total Reserves</b>	<b>59,212</b>	

These financial statements replace the unaudited financial statements certified by the Chief Financial Officer on 30th June 2016. The Chief Financial Officer recertified these audited financial statements and authorised them for issue on 26th September 2016.

**Amanda Fahey**  
**Chief Financial Officer**  
 26th September 2016

**Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents to 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 flows 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).

2014/15 £000	Cash Flow Statement	2015/16 £000
(2,081)	Net surplus or (deficit) on the provision of services	(6,767)
17,177	Adjustments to net surplus or deficit on the provision of services for non cash movements - see Note 24	(5,324)
(198)	Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities - see Note 25	(149)
<b>14,898</b>	<b>Net cash flows from Operating Activities</b>	<b>(12,240)</b>
(11,893)	Investing Activities - see Note 27	4,936
404	Financing Activities - see Note 28	6,643
<b>3,409</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(661)</b>
4,049	Cash and cash equivalents at the beginning of the reporting period	7,458
<b>7,458</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>6,797</b>

The Council's cash flow statement has been compiled using the indirect method whereby the statement is prepared using the Surplus or Deficit on the Provision of Services and cash flows are derived by adjusting for non-cash items, removing the effect of accruals and extracting transactions relating to investing or financing activities.

## 1 Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require that it is prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- revenue from 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 the income that might not be collected.

### iii. 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 one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### iv. 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 an understanding of the Council's financial performance.

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

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



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

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations.

**vii. 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 salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to 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 relevant service line 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.

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**

The Council participates in the Local Government Pensions Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

#### The Local Government Pension Scheme

The liabilities of the Hampshire County Council pension fund 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. The assets of Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value. The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest cost on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- 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 as Other Comprehensive Income and Expenditure.

Contributions paid to the Hampshire County Council 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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. 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.

#### Discretionary Benefits

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

#### **viii. Events After the Reporting Period**

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

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

#### ix. Financial Instruments

##### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council borrowed funds for the purposes of capital expenditure in 2015/16, and therefore has a capital financing requirement of £1.4m at 31st March 2016. Other financial liabilities were trade creditors that occur in the normal course of business and a liability arising from an embedded lease in the Council's contract for Waste, Recycling and Grounds Maintenance. The amount presented in the balance sheet in respect of the embedded finance lease is the outstanding principal repayable. Interest payable in the year is calculated and charged to the Comprehensive Income and Expenditure Statement. Financial liabilities entered into with a duration of less than 12 months, such as trade creditors, are recognised at their nominal value.

##### Financial Assets

Financial assets are classified into two types:

- (i) loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- (ii) available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

##### Loans and Receivables

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

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

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The Council holds a number of short-term investments and long-term deposits with Banks and Other Local Authorities, which are classified as loans and receivables, along with cash and cash equivalents, loans to organisations and trade debtors occurring in the normal course of business. Trade and other receivables with duration of less than 12 months are recognised at their nominal value.

#### Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet 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 of 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 in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain or 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 or loss for the asset accumulated in the Available For Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, 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 de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### **x. Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **xi. Government 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 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 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 grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as 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 (specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-specific revenue 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.

## xii. Heritage Assets

The Council's heritage assets largely comprise items of civic regalia as well as a memorial and a statue. They are all held in support of their primary objective of contributing to knowledge and culture and appreciation of the Council's history and local area.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment and are therefore subject to the de-minimus capitalisation threshold of £10,000. However, some of the measurement rules are relaxed in relation to heritage assets, as detailed below.

The Council's collections of heritage assets are accounted for as follows:-

- Civic Regalia

The items are subject to regular valuation for insurance purposes and the last valuation took place in March 2012. The valuation was carried out by Catherine Hockley BA (Hons) R J Dip – from Andrew Smith & Son, Fine Art Auctioneers & Valuers.

Items are reported in the Balance Sheet at insurance valuation, which is based on market values. The items are deemed to have indefinite useful lives and consequently the Council does not consider it appropriate to charge depreciation.

Some items of civic regalia are on public display behind secure cabinets. Other items are only on public display at certain events.

- Memorials and Statues

No information is available on cost or value in respect of these items. As the values of these assets are not likely to be material, and it is not practical to obtain a valuation at a cost commensurate with the benefits to users, it is considered that these assets are not recognised in the Council's Balance Sheet but are disclosed as a note to the accounts.

Memorials and statues are on public display.

### Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Acquisitions and donations are rare. Where they do occur, acquisitions are recognised at cost and donations are recognised at valuation ascertained in accordance with the Council's policy on valuation of heritage assets.

The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes in the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

**xiii. 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 licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. The Council does not have any internally generated intangible assets. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset 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 on the 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.

**xiv. Inventories**

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

**xv. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. 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 properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. The 2015/16 external valuation report on all the investment properties and a selection of the other assets was prepared by GSC Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilks Head & Eve LLP. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

**xvi. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

**xvii. Leases**

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). 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 the asset's 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 on 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 operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

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 (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.

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 (i.e. netted off against the carrying value of the asset at the time of 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 the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve.

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 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 an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to either the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement or the relevant service line in the net cost of services. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). 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.

#### xviii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SERCOP).

Support services represent the cost of individual services provided within the Council to the organisation as a whole, such as Information Technology, Financial Services and Personnel. They are charged out to direct services by way of Service Level Agreements (SLAs) that are negotiated between departments that are responsible for delivering and using support services.

All costs of management and administration are allocated to Direct Services, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on non-operational properties.

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

#### xix. 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 have an expected useful life of 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 accruals 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 of the item can be measured reliably (subject to a de minimus capitalisation threshold of £10,000). 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.



#### Measurement

Assets 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 cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have 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.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- 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 an asset, depreciated replacement cost (DRC) is used as an estimate of 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 might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. The Revaluation Reserve contains revaluation gains recognised since 1st 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.

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 material Property, Plant and Equipment 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 remaining useful life of the property as estimated by the valuer

- vehicles, plant and equipment – straight-line allocation over the remaining useful life of the asset.

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

Componentisation is considered where the carrying value of the asset is greater than £500,000 and the value of the component is at least 20% of the carrying value.

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

#### 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 revalued 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 losses recognised in the Surplus or Deficit on 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.

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 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 £10,000 are categorised as capital receipts. Capital receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. 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.

#### **xx. Provisions and Contingent Liabilities**

##### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

#### 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.

#### **xxi. Reserves**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

#### **xxii. Revenue Expenditure Funded from Capital under Statute**

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 this expenditure from existing capital resources or by 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 the level of council tax.

#### **xxiii. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 2 Accounting standards that have been issued but have not yet been adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

For 2015/16 the list of standards are as below:

Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)

Annual Improvements to IFRSs (2010 – 2012 Cycle), issues within listed below:

- IFRS 2: Share-based payment
- IFRS 3 Business combinations
- IFRS 8: Operating segments - Aggregation of the operating segments
- IFRS 8: Operating segments - Reconciliation of the total of the reportable segments's assets to the entity's assets
- IFRS 13: Fair Value measurement
- IAS 16: Property, plant and equipment
- IAS 24: Related party disclosures
- IAS 38: Intangible assets

Annual Improvements to IFRSs (2012 – 2014 Cycle), issues within listed below:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments disclosures
- IFRS 7 Financial Instruments disclosures
- IAS 19 : Employee benefits
- IAS 34: Interim Financial Reporting

The IASB carries out cyclical work to identify and implement improvements in IFRSs. Of the cycles stated above the amendments to the Code are not overly substantive and are not anticipated to have a material impact on the Councils' financial statements.

Amendments to IFRS 11 Joint Arrangements (Accounting for acquisitions of interests in joint operations)

Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets

Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

Changes to the format of the Comprehensive Income and Expenditure, Movement in Reserves statements and the introduction of a new Expenditure and funding analysis

Changes to the format of the Pension Fund Account and the Net Assets statement

None of the above amendments are expected to have any material impact on the information in the Council's financial statements and it is unlikely that there would be a change in the reported information in the reported new cost of services or the surplus or deficit on the Provision of Services. However, in the year 2016/17 the comparator 2015/16 Comprehensive Income and Expenditure and the Movement in Reserves statements must reflect the new formats and reporting requirements

## 3 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, 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 provided on the following page:

- **Future Funding for Local Government.** There is an element of risk 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 and reduce levels of service provision. In addition, as mentioned in the Explanatory Foreword, the Council has made judgements about the adequacy of its balances and has also put in place processes to achieve savings that will mitigate or counteract any future changes in its levels of funding or other income.
- **Asset Classifications.** The Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on an understanding of the main purpose that the Council is holding the asset. If the asset is used in delivering services, or is occupied by third parties who are subsidised by the Council, the asset is deemed to be Property, Plant and Equipment. A non-current asset used solely to earn rentals and/or for capital appreciation is classified as an Investment Property.
- **Property, Plant & Equipment.** Non-current assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to them. If the useful life of a non-current asset is reduced, depreciation increases and the carrying amount of the non-current asset falls. Annual depreciation charge for buildings would increase proportionately for every year that an asset useful life has to be reduced.
- **Lease Classification.** The Council has made judgments on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The accounting treatment for operating and finance leases is significantly different.
- **Contractual Arrangements.** The Council has made judgements on whether its contractual arrangements contain embedded leases i.e. arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment where fulfilment of the arrangement is dependent on the use of specific assets.
- **Potential Liabilities.** The Council has made judgements about the likelihood of potential liabilities and whether a provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact.
- **Bad or Doubtful Debts.** The Council has made judgements about the level of bad or doubtful debts and the level of provision that it may need to provide for. These judgements are based on historical experience of debtor defaults and current economic conditions.
- **Business Rate Appeals.** The Council has made judgements about the number of successful appeals under the Business Rates Retention Scheme. These judgements are based upon the pattern of appeals from the 2005 and 2010 rating lists.

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts on page 13.

#### **4 Assumptions made about the future and major sources of estimation uncertainty**

The financial statements contain some estimated figures that are based on assumptions made by the County Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with complete certainty, actual results could be different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a risk of adjustment in the forthcoming financial year are provided on the following page:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Pensions liability</b>	At 31st March 2016, the net Pensions Liability was £43.3 million. 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.	The effects on the net pensions liability of changes in individual assumptions can be measured (the impact of changes in assumptions are outlined in note 38). For example, a 0.1% increase in the discount rate assumption would result in a reduction of £60k on the projected service cost. However, the assumptions interact in complex ways. During 2015/16, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had decreased by £3.97 million due to changes in financial assumptions. Many of the financial assumptions are linked to current market conditions. Conversely, the same measurement increased by £11.4 million in the previous year.

**5 Events after the balance sheet date**

The Statement of Accounts was authorised for issue by the Chief Financial Officer on the 30th June 2016 and on the 14th September 2016. Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23rd June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (Standard & Poor's, Fitch and Moody's) have downgraded the UK Sovereign credit rating in the months that followed the Referendum.

There could be an impact on the Council's investment property valuations if confidence in the wider UK property market continues to fall. Valuation of the Council's defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations

For the purposes of these financial statements, the effects of the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

**6 Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The adjustment detail is given in tables on the following two pages.

6 Adjustments between accounting basis and funding basis under regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>For the year 2014/15</b>				
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	1,740	-	-	(1,740)
Revaluation losses on Property, Plant and Equipment	1,244	-	-	(1,244)
Movements in the market value of Investment Property	(112)	-	-	112
Amortisation of Intangible Assets	190	-	-	(190)
Capital grants and contributions applied	(325)	-	-	325
Revenue expenditure funded from capital under statute	638	-	-	(638)
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	150	-	-	(150)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	(273)	-	-	273
Capital expenditure charged against the General Fund	(390)	-	-	390
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(160)	160	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,101)	-	1,101
<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 38)	3,320	-	-	(3,320)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,842)	-	-	1,842
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(8,490)	-	-	8,490
<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>(4,308)</b>	<b>(941)</b>		

6 Adjustments between accounting basis and funding basis under regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>For the year 2015/16</b>				
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	2,068	-	-	(2,068)
Revaluation losses on Property, Plant and Equipment	1,970	-	-	(1,970)
Movements in the market value of Investment Property	119	-	-	(119)
Amortisation of Intangible Assets	214	-	-	(214)
Capital grants and contributions applied	(653)	-	-	653
Revenue expenditure funded from capital under statute	2,134	-	-	(2,134)
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	-	-	-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	(280)	-	-	280
Capital expenditure charged against the General Fund	(1,116)	-	-	1,116
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(59)	59	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(835)	-	835
<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 38)	3,460	-	-	(3,460)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,910)	-	-	1,910
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	5,444	-	-	(5,444)
<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	18	-	-	(18)
<b>Total Adjustments</b>	<b>11,409</b>	<b>(776)</b>	<b>-</b>	<b>(10,633)</b>



## 7 Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

<b>Earmarked Reserves</b>	<b>Balance as at 31 March 2014 £000</b>	<b>Transfer Out 2014/15 £000</b>	<b>Transfers In 2014/15 £000</b>	<b>Balance as at 31 March 2015 £000</b>	<b>Transfer Out 2015/16 £000</b>	<b>Transfers In 2015/16 £000</b>	<b>Balance as at 31 March 2016 £000</b>
Business Rates Retention Reserve	3,586	(3,586)	-	-	-	-	-
Stability and Resilience Reserve	2,387	(2,387)	-	-	-	3,808	3,808
Commuted Sums/Amenity Areas	1,014	(40)	304	1,278	(50)	691	1,919
Mercury Abatement	-	-	-	-	-	484	484
Service Improvement Fund	1,111	(224)	-	887	(440)	-	447
Insurance Reserve	280	-	-	280	(27)	-	253
Civil Parking Enforcement Surplus	-	(99)	150	51	-	160	211
Cohesion/Migration Impact/Gurkha Settlement	423	(114)	5	314	(131)	12	195
Other Grants (Individually below £30k)	173	(42)	75	206	(63)	-	143
Budget Carry Forwards	171	(171)	150	150	(150)	91	91
TAG Environmental Fund	70	-	6	76	-	7	83
Drug & Alcohol Support	-	-	75	75	-	-	75
Housing & Planning Delivery Grant	142	(142)	122	122	(56)	-	66
Land Charges	65	-	-	65	-	-	65
Developing Our Communities	94	(19)	(5)	70	(34)	-	36
Individual Electoral Registration	-	-	37	37	(22)	-	15
<b>Total of all Earmarked General Fund Reserves</b>	<b>9,516</b>	<b>(6,824)</b>	<b>919</b>	<b>3,611</b>	<b>(973)</b>	<b>5,253</b>	<b>7,891</b>

## 8 Other Operating Expenditure

<b>2014/15 Gross Exp £000</b>	<b>2014/15 Gross Inc £000</b>	<b>2014/15 Net Exp £000</b>	<b>Other Operating Expenditure</b>	<b>2015/16 Gross Exp £000</b>	<b>2015/16 Gross Inc £000</b>	<b>2015/16 Net Exp £000</b>
-	(17)	(17)	Photovoltaic Cells Feed In Tariff	-	(12)	(12)
1	(10)	(9)	(Gains)/losses on the disposal of non-current assets	-	(59)	(59)
-	-	-	- MMI Levy Provision	27	-	27
-	-	-	- Allowance for Doubtful Debts	123	-	123
<b>1</b>	<b>(27)</b>	<b>(26)</b>		<b>150</b>	<b>(71)</b>	<b>79</b>

9 Financing and Investment Income and Expenditure

2014/15 Gross Exp £000	2014/15 Gross Inc £000	2014/15 Net Exp £000	Financing and Investment Income and Expenditure	2015/16 Gross Exp £000	2015/16 Gross Inc £000	2015/16 Net Exp £000
8	-	8	Interest payable and similar charges	-	-	-
1,670	-	1,670	Net interest on the net defined benefit liability (asset)	1,440	-	1,440
-	(753)	(753)	Interest receivable and similar income	-	(894)	(894)
1,212	(1,906)	(694)	(Surplus)/Deficit on Trading Activities	510	(1,867)	(1,357)
27	(140)	(113)	Changes in the fair value of Investment Property	142	(23)	119
1	-	1	Other investment Income and expenditure	-	-	-
166	-	166	Exchange Rate Loss on derecognition	-	-	-
<b>3,084</b>	<b>(2,799)</b>	<b>285</b>		<b>2,092</b>	<b>(2,784)</b>	<b>(692)</b>

10 Taxation and Non-specific Grant Income and Expenditure

2014/15 Gross Exp £000	2014/15 Gross Inc £000	2014/15 Net Exp £000	Taxation and Non-specific Grant Income and Expenditure	2015/16 Gross Exp £000	2015/16 Gross Inc £000	2015/16 Net Exp £000
-	(5,437)	(5,437)	Council Tax income	-	(5,476)	(5,476)
-	(89)	(89)	Collection Fund (Surplus)/Deficit - Council Tax	-	(88)	(88)
-	(4,035)	(4,035)	Collection Fund (Surplus)/Deficit - NDR	1,025	-	1,025
15,052	(15,934)	(882)	Non Domestic Rates (Income) and Expenditure	15,178	(18,620)	(3,442)
1,612	-	1,612	Non Domestic Rates (Safety net)/Levy Payment	368	-	368
-	(2,441)	(2,441)	Revenue Support Grant	-	(1,756)	(1,756)
-	(2,216)	(2,216)	Non-ringfenced Government Grants	-	(2,444)	(2,444)
-	(298)	(298)	Capital Grants and Contributions	-	(150)	(150)
<b>16,664</b>	<b>(30,450)</b>	<b>(13,786)</b>		<b>16,571</b>	<b>(28,534)</b>	<b>(11,963)</b>

## 11 Property, plant and equipment (PPE)

## Movements on balances in 2014/15

	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000
<b><u>Cost or valuation</u></b>					
As at 1 April 2014	<b>55,068</b>	<b>7,822</b>	<b>2,551</b>	<b>344</b>	<b>65,785</b>
Additions	454	228	195	-	877
Revaluation increases recognised in the Revaluation Reserve	3,615	-	-	-	3,615
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(1,261)	-	-	-	(1,261)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	231				231
Derecognition - Disposals	(18)	(1,141)	-	(150)	(1,309)
<b>As at 31 March 2015</b>	<b>58,089</b>	<b>6,909</b>	<b>2,746</b>	<b>194</b>	<b>67,938</b>
<b><u>Accumulated Depreciation</u></b>					
As at 1 April 2014	(14,671)	(5,192)	-	-	(19,863)
Depreciation - annual charge	(1,287)	(600)	-	-	(1,887)
Depreciation written out to the revaluation reserve	(84)	-	-	-	(84)
Derecognition - Disposals	18	1,141	-	-	1,159
<b>As at 31 March 2015</b>	<b>(16,024)</b>	<b>(4,651)</b>	<b>-</b>	<b>-</b>	<b>(20,675)</b>
<b>As at 31 March 2015</b>	<b>42,065</b>	<b>2,258</b>	<b>2,746</b>	<b>194</b>	<b>47,263</b>
<b>As at 31 March 2014</b>	<b>40,397</b>	<b>2,630</b>	<b>2,551</b>	<b>344</b>	<b>45,922</b>

## 11 Property, plant and equipment (PPE)

## Movements on balances in 2015/16

	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000
<b><u>Cost or valuation</u></b>					
As at 1 April 2015	<b>58,089</b>	<b>6,909</b>	<b>2,746</b>	<b>194</b>	<b>67,938</b>
Additions	1,254	155	128	5	1,542
Revaluation increases recognised in the Revaluation Reserve	4,500	-	-	179	4,679
Revaluation decreases recognised in the Revaluation Reserve	(1,092)	-	-	-	(1,092)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(5,021)	-	-	-	(5,021)
Derecognition - Disposals	-	(591)	-	-	(591)
<b>As at 31 March 2016</b>	<b>57,730</b>	<b>6,473</b>	<b>2,874</b>	<b>378</b>	<b>67,455</b>
<b><u>Accumulated Depreciation</u></b>					
As at 1 April 2015	(16,024)	(4,651)	-	-	(20,675)
Depreciation - annual charge	(1,483)	(585)	-	-	(2,068)
Depreciation regarding revaluations written out	3,051	-	-	-	3,051
Derecognition - Disposals	-	591	-	-	591
<b>As at 31 March 2016</b>	<b>(14,456)</b>	<b>(4,645)</b>	<b>-</b>	<b>-</b>	<b>(19,101)</b>
<b>As at 31 March 2016</b>	<b>43,274</b>	<b>1,828</b>	<b>2,874</b>	<b>378</b>	<b>48,354</b>
<b>As at 31 March 2015</b>	<b>42,065</b>	<b>2,258</b>	<b>2,746</b>	<b>194</b>	<b>47,263</b>

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings 5 to 55 years
- Vehicles, Plant and Equipment 4 to 15 years

Capital Commitments

The Council had capital commitments as at 31st March 2016 amounting to £206,000.

## 11 Property, plant and equipment (PPE)

### Effects of Changes in Estimates

In 2015/16, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value or fair value as appropriate is revalued at least every five years. All valuations were carried out by Wilkes, Head & Eve with the exception of one surplus asset acquired in March 2016 (valued by Hollis Hockley LLP). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The effective date of each revaluation is the date that the revaluation was produced.

## 12 Heritage assets

<b>Reconciliation of the carrying amount of Heritage Assets held by the Council.</b>	
<b><u>2014/15</u></b>	<b>Civic Regalia</b>
<b>Cost or Valuation</b>	<b>£000</b>
1st April 2014	258
Additions	-
<u>Disposals</u>	-
<b>31st March 2015</b>	<b>258</b>
<b><u>2015/16</u></b>	<b>Civic Regalia</b>
<b>Cost or Valuation</b>	<b>£000</b>
1st April 2015	258
Additions	-
<u>Disposals</u>	-
<b>31st March 2016</b>	<b>258</b>
<b><u>Net Book Value</u></b>	
<b>At 31st March 2016</b>	<b>258</b>
<b>At 31st March 2015</b>	<b>258</b>

### Civic regalia

Items consist of the Borough of Rushmoor mace, the mayoral chains of office, badges of office for the Mayor, Mayoress, Deputy Mayor and Deputy Mayoress along with various pendants, ceramic items, ceremonial clothing, works of art and models.

### Memorials and Statues

These consist of a memorial, the Heroes' Shrine in Manor Park, Aldershot and a sculpture of a charging horse in Princes Gardens, Aldershot.

### Memorials and Statues

There were no additions made during 2015/16.

Intangible Heritage Assets

The Council does not have any items that meet the classification of 'intangible heritage assets'.

Heritage Assets – Five Year Summary of Transactions

Summary of Transactions Recognised in the Balance Sheet	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
<b>Cost of Acquisitions of heritage assets</b>					
Civic Regalia	221	221	221	221	221
Purchases - carrying value	37	37	37	37	37
Donations - carrying value					
<b>Total</b>	<b>258</b>	<b>258</b>	<b>258</b>	<b>258</b>	<b>258</b>
<b>Summary of Transactions Not Recognised in the Balance Sheet</b>					
Civic Regalia	39	39	39	39	39
Purchases - carrying value	65	65	65	65	61
Donations - carrying value					
<b>Total</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>100</b>
<b>Disposals of Donated Civic Regalia</b>					
Carrying value	-	-	-	4	-
Proceeds	-	-	-	-	-

Information in respect of years prior to 1st April 2011 is not disclosed as it is not practicable to do so.

**13 Investment Property**

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2014/15 £000	Investment Property	2015/16 £000
(1,906)	Rental income from investment property	(1,873)
1,212	Direct operating expenses arising from investment property	505
<b>(694)</b>	<b>Net (gain)/loss</b>	<b>(1,368)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All Investment Properties were re-valued as at 31st March 2016.

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

2014/15 £000	Investment Property movements in fair value	2015/16 £000
26,187	Balance at the start of the year	26,300
113	Net gains/(losses) from fair value adjustments taken to the Comprehensive Income & Expenditure Account	(119)
<b>26,300</b>	<b>Total</b>	<b>26,181</b>

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

In estimating the fair value of the Council's investment properties, the highest and best use is their current use. The Council has no investment properties where the fair value measurement has been carried out at Level 1 (Quoted prices in active markets for identical assets) or Level 3 (Significant unobservable inputs).

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2016 by the Wilkes, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's investment properties are categorised as follows:

Categories of Investment Property	31st March 2016 £000
Commercial/Industrial Units	14,276
Land leased out for mixed use	2,031
Office Units	1,407
Retail use	7,968
<b>Total of all investment properties</b>	<b>25,682</b>

14 Interests in Jointly Controlled Operations

Jointly Controlled Operations

Community Safety Service

On 1st November 2012 the Council entered into a jointly controlled operation with Basingstoke and Deane Borough Council and Hart District Council to deliver a shared community safety service. Rushmoor Borough Council's element of the shared community safety service costs are included in the Environmental and Regulatory Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement.

Below is a memorandum account of the financial activity of the shared community safety service from 1st April 2015 to 31st March 2016.

	<b>Rushmoor Borough Council</b>	<b>Hart District Council</b>	<b>Basingstoke and Deane Borough Council</b>	<b>Total</b>
	<b>2015/16</b>	<b>2015/16</b>	<b>2015/16</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Related Expenditure	124	168	117	409
Premises Related Expenditure	4	-	-	4
Transport Related Expenditure	3	9	2	14
Supplies & Services	11	11	-	22
Support Services	39	-	-	39
Capital Charges	-	-	-	-
Project Expenditure	1	11	1	13
Net Expenditure	182	199	120	501
Hosting Charge	(10)	6	4	-

The following is an extract of the Joint Community Safety Team Projects delivered on behalf of the 6 statutory agencies who work together under Section 17 of Crime & Disorder Act 1998 (Probation, Police, Clinical Commissioning Groups, Hampshire County Council, The Local Authority and Fire Authority) The credit balance of funds of £78,000 as at 31st March 2016 are held as a creditor on Rushmoor Borough Council's balance sheet

<b>Project</b>	<b>Balance as at 1st April 2014</b>	<b>2014/15 Project Income</b>	<b>2014/15 Project Exp</b>	<b>Balance as at 31st March 2015</b>	<b>2015/16 Project Income</b>	<b>2015/16 Project Exp</b>	<b>Balance as at 31st March 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Challenge & Change and OPS Stronghold	9	-	(4)	5	-	(3)	2
Anti Social Behaviour & Night Time Economy	20	-	(17)	3	-	-	3
NE Hants Drug & Alcohol Action Group (DAAG)	(1)	-	-	(1)	-	1	-
Bike Project	-	4	-	4	-	-	4
Education Programme	-	20	(10)	10	-	(4)	6
OP Moat	-	7	-	7	-	(5)	2
Victim Support	-	26	(14)	12	-	(12)	-
LIBOR Fund	58	-	(27)	31	-	(11)	20
Community Development	-	-	-	-	20	(6)	14
Domestic Violence	-	-	-	-	-	(11)	(11)
Restorative Justice	-	-	-	-	26	(3)	23
Victim Needs Project	-	-	-	-	13	-	13
Speedwatch	-	-	-	-	4	-	4
Other	-	-	(4)	(4)	-	2	(2)
	86	57	(76)	67	63	(52)	78



CCTV Service

On 1st May 2013 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared CCTV service.

Rushmoor Borough Council's element of the shared CCTV service costs are split between the Environmental and Regulatory Services line and the Highways and Transport Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared CCTV service from 1st April 2015 to 31st March 2016.

	<b>Rushmoor Borough Council 2015/16 £000</b>	<b>Hart District Council 2015/16 £000</b>	<b>Total 2015/16 £000</b>
Employee Related Expenditure	134	85	219
Premises Related Expenditure	(3)	(2)	(5)
Supplies & Services	68	22	90
Support Services	72	-	72
Capital Charges	46	-	46
Net Expenditure	317	105	422
Hosting Charge	(14)	14	-

Building Control Service

On 2nd July 2015 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared Building Control service. Rushmoor Borough Council's element of the shared Building Control service costs are included in the Planning Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared Building Control service from 2nd July 2015 to 31st March 2016.

	<b>Rushmoor Borough Council 2015/16 £000</b>	<b>Hart District Council 2015/16 £000</b>	<b>Total 2015/16 £000</b>
Employee Related Expenditure*	160	107	267
Premises Related Expenditure	5	5	10
Transport Related Expenditure	1	1	2
Supplies & Services**	3	11	14
Support Services	103	-	103
Net Expenditure	272	124	396
Hosting Charge	(5)	5	-
Fees & Charges	(154)	-	(154)
Other Income	(13)	-	(13)
Hart Contribution to Rushmoor***	(121)	-	(121)

The costs which Rushmoor Borough Council has incurred are split 50:50 with Hart District Council with the exception of Support Services and some employees. As Hart District Council receive their income directly, no figures are shown for their income.

\* In 2015/16 Hart District Council incurred £9,000 temporary staffing costs which Rushmoor Borough Council agreed to accept 50% of the expense. Employee Related Expenditure for Rushmoor Borough Council includes 50% of this charge and Hart District Council's has been discounted by 50% of this charge.

\*\* £22,000 of Supplies & Services costs have been split 50:50 with Hart District Council. Rushmoor Borough Council's share of this cost is shown as follows: £10,000 Support Services and £1K Supplies & Services. The other £2,000 which makes up Rushmoor Borough Council's Supplies & Services figure of £3,000 is not a split cost of the Shared Building Control Service with Hart District Council.

\*\*\* Hart's Contribution to Rushmoor of £121,000 was altered by £5,000 to reflect the Hosting Charge fee, the actual contribution from Hart to Rushmoor is £126,000.

The purpose of the jointly controlled operations is for the councils to work together in a spirit of partnering in connection with their dealings with each other in respect of these services so that, wherever possible the activities of one complement and enhance the activities of the other for the benefit of all residents, businesses and visitors to their respective administrative areas. There is no requirement for an authority to produce Group Accounts where the authority only has an interest in a jointly controlled operation.

### 15 Intangible assets

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. Intangible assets consist of purchased licenses only. 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 is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £214,000 charged to revenue in 2015/16 was charged directly to service revenue accounts and is therefore included in the cost of services. No items of capitalised software are individually material to the Financial Statements.

#### Capital Commitments

The Council had no major capital commitments in respect of Intangible Assets as at 31st March 2016. The movement on Intangible Asset balances during the year is as follows:

2014/15 £000	Intangible assets	2015/16 £000
	<b>Balance at the start of the financial year</b>	
3,020	Gross carrying amounts	2,761
(2,459)	Accumulated amortisation	(2,091)
561	Net carrying amount at start of year	670
299	Additions purchases	316
(558)	De-recognition disposals	-
(190)	Amortisation for the period	(214)
558	De-recognition disposals	-
<b>670</b>	Net carrying amount at end of year	<b>772</b>
	Comprising:	
2,761	Gross carrying amounts	3,077
(2,091)	Accumulated amortisation	(2,305)
<b>670</b>	<b>Net book value of intangible assets</b>	<b>772</b>

## 16 Financial Instruments

The term financial instruments is used to describe arrangements that are governed by a contract and appear as assets for one of the contracting parties and liabilities for the other. It covers both financial assets and liabilities and includes debtors, creditors, the Council's borrowings, PFI liabilities and investment transactions.

The financial assets and liabilities disclosed in the Balance Sheet are analysed across a range of categories as shown below:

	Long-term		Current	
	31st March 2015 £000	31st March 2016 £000	31st March 2015 £000	31st March 2016 £000
<b>Investments</b>				
Loans and Receivables Fixed Rate Investments	-	2,000	17,059	4,016
Government Stocks	2	-	-	-
Available for Sale Financial Assets Pooled Funds/Collective Investment Vehicles	22,439	25,563	132	1,167
<b>Total investments</b>	<b>22,441</b>	<b>27,563</b>	<b>17,191</b>	<b>5,183</b>
<b>Debtors</b>				
Loans and Receivables Debtors due within 1 year*	-	-	3,096	3,753
Long Term Debtors	132	182	-	-
<b>Total Debtors</b>	<b>132</b>	<b>182</b>	<b>3,096</b>	<b>3,753</b>
<b>Cash and Cash Equivalents</b>				
Loans and Receivables Short term cash deposits	-	-	8,190	6,200
Cash and Cash at Bank	-	-	6	623
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>8,196</b>	<b>6,823</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost Bank Overdraft	-	-	738	26
Borrowing	-	4,121	-	579
<b>Total borrowings</b>	<b>-</b>	<b>4,121</b>	<b>738</b>	<b>605</b>
<b>Other Long Term Liabilities</b>				
Finance lease liabilities	280	-	-	-
<b>Total other long term liabilities</b>	<b>280</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount**	-	-	2,762	3,087
<b>Total Creditors**</b>	<b>-</b>	<b>-</b>	<b>2,762</b>	<b>3,087</b>

\* & \*\* ... See next page for details

\*Debtors due within 1 year excludes £587,000 in respect of Council Tax debtors, HMRC and National Non-Domestic Rates, from the total of £4,767,000 reported on the balance sheet, as these are statutory levies not falling within the definition of financial instruments. £427,000 is also excluded in respect of Payments in Advance.

\*\*Similarly, short term creditors excludes £3,980,000 from the total of £8,197,000 reported on the balance sheet, in respect of Council Tax creditors, Housing Benefit subsidy payments and payments for Non-Domestic Rates. £1,130,000 is also excluded in respect of Income in Advance.

Income, Expense, Gains and Losses - The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2014/15	Financial Liabilities:	Financial Assets		Total £000
	Amortised Cost £000	Loans and Receivables £000	Available for Sale £000	
Interest expense	(8)	-	-	(8)
Amortisation of investment	-	(1)	-	(1)
Exchange rate loss on derecognition	-	(166)	-	(166)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(8)</b>	<b>(167)</b>	<b>-</b>	<b>(175)</b>
Interest income	-	202	551	753
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>202</b>	<b>551</b>	<b>753</b>
<b>Net gain/(loss) for the year</b>	<b>(8)</b>	<b>35</b>	<b>551</b>	<b>578</b>

2015/16	Financial Liabilities:	Financial Assets		Total £000
	Amortised Cost £000	Loans and Receivables £000	Available for Sale £000	
Interest expense	-	-	-	-
Amortisation of investment	-	-	-	-
Exchange rate loss on derecognition	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest income	-	157	735	892
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>157</b>	<b>735</b>	<b>892</b>
<b>Net gain/(loss) for the year</b>	<b>-</b>	<b>157</b>	<b>735</b>	<b>892</b>

Fair Value of Financial Assets - Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in 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:

- For loans and receivables, estimated interest rates at 31st March for comparable instruments where this is material
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

An element of the Council's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the table on the following page. The valuation techniques used to measure them is also described.

31 March 2015 £000	Value of Financial Assets			31 March 2016 £000
	Input level in Fair Value Hierarchy	Recurring Fair Value Measurements	Valuation technique used to measure	
1,001	Level 1	Floating Rate Note	Unadjusted quoted prices in active markets	999
1,153	Level 1	Covered Fixed Bonds	Unadjusted quoted prices in active markets	5,471
20,417	Level 1	Pooled Funds	Unadjusted quoted prices in active markets	20,262
<b>22,571</b>	<b>Total Fair Value of Financial Assets</b>			<b>26,732</b>

**The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)**

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors 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 take place over the remaining life of the instruments (Level 2).

Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the invoiced amount.

Financial Liabilities	31 March 2015		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities at amortised cost	3,500	3,500	7,813	7,813
Finance lease liabilities	280	280	-	-
<b>Total Financial Liabilities</b>	<b>3,780</b>	<b>3,780</b>	<b>7,813</b>	<b>7,813</b>

Financial Assets	31 March 2015		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	28,353	28,353	14,592	14,592
Long-term debtors	132	132	182	182
<b>Total Financial Assets</b>	<b>28,485</b>	<b>28,485</b>	<b>14,774</b>	<b>14,774</b>

17 Debtors

2014/15 £000	Debtors	2015/16 £000
184	Central government bodies (excluding Business Rates)	377
948	Other local authorities (excluding Precepts)	699
144	Council tax	163
523	NDR	424
2,122	Other entities and individuals	2,677
957	Payments in advance	427
<b>4,878</b>	<b>Total debtors</b>	<b>4,767</b>

18 Cash and Cash Equivalents

2014/15 £000	Cash and Cash Equivalents	2015/16 £000
6	Cash held by the Council	623
8,190	Short term cash deposits	6,200
(738)	Bank current accounts	(26)
<b>7,458</b>	<b>Total Cash and Cash Equivalents</b>	<b>6,797</b>

19 Creditors

2014/15 £000	Creditors	2015/16 £000
11,434	Central government bodies	2,596
3,665	Other local authorities	1,826
12	Council tax	18
712	NDR	423
2,134	Other entities and individuals	2,210
1,113	Income in advance	1,124
<b>19,070</b>	<b>Total creditors</b>	<b>8,197</b>

**20 Provisions****Short term Provisions**

2014/15 £000	Short term Provisions	2015/16 £000
	- Balance at 1st April	-
	- Additional provision made in the year	27
	- Balance at 31st March	27

The Council created one short-term provision during 2015/16 in respect of the levy required under the Scheme of Arrangement for Municipal Mutual Insurance.

**Long term Provisions**

2014/15 £000	Long term Provisions	2015/16 £000
4,687	Balance at 1st April	1,761
	- Additional provision made in the year	798
(2,926)	Amounts used in the year	(162)
1,761	Balance at 31st March	2,397

The Council had one long-term provision as at 1st April 2015 for £1.761 million in respect of Business Rate appeals, this has now increased to £2.397 million as at 31st March 2016.

**21 Other Long Term Items**

2014/15 £000	Other Long Term Liabilities	2015/16 £000
45,726	Other Long Term Liabilities	43,286

2014/15 £000	Long Term Borrowing	2015/16 £000
	- Long Term Borrowing	4,121

**22 Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

23 Unusable Reserves

2014/15 £000	Unusable Reserves	2015/16 £000
10,717	Revaluation Reserve	14,169
63,494	Capital Adjustment Account	60,008
329	Available for Sale Financial Instruments Reserve	194
(45,726)	Pensions Reserve	(43,286)
4,929	Collection Fund Adjustment Account	(515)
(125)	Accumulated Absences Account	(143)
<b>33,618</b>	<b>Total unusable reserves</b>	<b>30,427</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.

The reserve contains only revaluation gains accumulated since 1st 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.

2014/15 £000	Revaluation Reserve	2015/16 £000
<b>7,237</b>	Balance at 1st April	<b>10,717</b>
3,615	Upward revaluation of assets	4,679
(18)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,092)
3,597	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	3,587
(84)	Difference between fair value depreciation and historical cost depreciation	(135)
(33)	Write off of residual balances on Investment Properties	-
(117)	Amount written off to the Capital Adjustment Account	(135)
<b>10,717</b>	<b>Balance at 31st March</b>	<b>14,169</b>



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 Property and gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2014/15 £000	Capital Adjustment Account	2015/16 £000
65,138	Balance at 1st April	63,494
	Amount written out of the Revaluation Reserve	
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(1,740)	Charges for depreciation and impairment of non-current assets (Property, Plant and Equipment)	(2,068)
(1,244)	Revaluation losses on Property, Plant and Equipment	(1,970)
(190)	Amortisation of intangible assets	(214)
(638)	Revenue expenditure funded from capital under statute	(2,134)
(150)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	-
(3,962)	Net of the above transactions	(6,386)
117	Adjusting amounts written out of the Revaluation Reserve	135
(3,845)	Net written out amount of the cost of non-current assets consumed in the year	(6,251)
	<u>Capital financing applied in the year:</u>	
1,101	Use of the Capital Receipts Reserve to finance new capital expenditure	835
325	Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to Capital financing	653
273	Statutory provision for the financing of capital investment charged against the General Fund balances	280
390	Capital expenditure charged against the General Fund	1,116
2,089	Net of the above transactions	2,884
112	Movements in the market value of Investment Property debited or credited to the Comprehensive I&E Statement	(119)
<b>63,494</b>	<b>Balance at 31st March</b>	<b>60,008</b>

Available for Sale Financial Instruments Reserve

2014/15 £000	Available for Sale Financial Instruments Reserve	2015/16 £000
8	Balance at 1st April	329
511	Upward revaluation of investments	431
(190)	Downward revaluation of investments not charged to the Surplus/(Deficit) on the Provision of Services	(566)
<b>329</b>	<b>Balance at 31st March</b>	<b>194</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. 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.

2014/15 £000	Pensions Reserve	2015/16 £000
<b>(39,828)</b>	Balance at 1st April	<b>(45,726)</b>
(4,420)	Remeasurements of the net defined benefit (liability)/asset	3,990
(3,320)	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	(3,460)
1,842	Employer's pensions contributions and direct payments to pensioners payable in the year	1,910
<b>(45,726)</b>	<b>Balance at 31st March</b>	<b>(43,286)</b>

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.

Information for the Collection Fund Adjustment Account is shown below:

2014/15 £000	Collection Fund Adjustment Account	2015/16 £000
(3,561)	Balance at 1st April	4,929
8,490	Amount by which council tax income and NDR income is (credited) or debited to the Comprehensive Income and Expenditure Statement is different from council tax income and NDR income calculated for the year in accordance with statutory requirements	(5,444)
<b>4,929</b>	<b>Balance at 31st March</b>	<b>(515)</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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2014/15 £000	Accumulated Absences Account	2015/16 £000
(123)	Balance at 1st April	(125)
123	Settlement or cancellation of accrual made at the end of the preceding year	125
(125)	Amounts accrued at the end of the current year	(143)
(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	(18)
<b>(125)</b>	<b>Balance at 31st March</b>	<b>(143)</b>

**24 Cash Flow statement - Adjustment to net surplus or deficit on the provision of services for non cash movements**

2014/15 £000	Cash Flow statement - Adjustment to net surplus or deficit on the provision of services for non cash movements	2015/16 £000
1,971	Depreciation	2,068
1,030	Impairment and downward valuations	1,970
190	Amortisation	214
485	Increase/(decrease) in bad debts	710
12,306	Increase/(decrease) in Creditors	(10,299)
2,475	(Increase)/decrease in Debtors	(495)
(35)	(Increase)/decrease in Interest Debtors	(22)
-	(Increase)/decrease in Inventories	3
1,478	Movement in pension liability	1,550
149	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-
(2,872)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,023)
<b>17,177</b>	<b>Total adjustment of net surplus or deficit on the provision of services for non cash movements (as per page 17)</b>	<b>(5,324)</b>

**25 Cash Flow statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities**

2014/15 £000	Cash Flow statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2015/16 £000
(198)	Any other items for which the cash effects are investing or financing cash flows	(149)
<b>(198)</b>	<b>Net adjustments to net surplus or deficit on the provision of services for financing and investment cash flows</b>	<b>(149)</b>

**26 Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

2014/15 £000	Cash Flow Statement – Operating Activities	2015/16 £000
718	Interest received	1,007
<b>718</b>	<b>Total interest received</b>	<b>1,007</b>

**27 Cash Flow Statement – Investing Activities**

2014/15 £000	Cash Flow Statement – Investing Activities	2015/16 £000
(2,588)	Purchase of property, plant and equipment, investment property and intangible assets	(1,872)
(35,652)	Purchase of short-term and long-term investments	(41,782)
(49)	Other payments for investing activities	(73)
150	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	59
25,694	Proceeds from short-term and long-term investments	48,552
552	Other receipts from investing activities	52
<b>(11,893)</b>	<b>Net cash flows from investing activities</b>	<b>4,936</b>

**28 Cash Flow Statement – Financing Activities**

2014/15 £000	Cash Flow Statement – Financing Activities	2015/16 £000
-	Cash receipts of short and long term borrowing	4,700
1,914	Other receipts from financing activities	2,501
(280)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(280)
(1,230)	Other payments for financing activities	(278)
<b>404</b>	<b>Net cash flows from financing activities</b>	<b>6,643</b>

**29 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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council’s Cabinet on the basis of budget reports analysed across Portfolios. These reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- the effect of the finance lease entries under IFRIC4 are not included
- trading operations are included under the Portfolio analysis but not in the Cost of Services on the Comprehensive Income and Expenditure Statement

The net expenditure of the Council’s Portfolios recorded in the provisional outturn report for the year is shown on the following page:

2014/15 £000	The net expenditure of the Council's Portfolios recorded in the provisional outturn report for the year	2015/16 £000
737	Corporate Services	1,098
4,157	Environment and Service Delivery	5,517
1,482	Concessions and Community	1,846
1,771	Health and Housing	1,439
2,523	Business, Safety and Regulation	2,563
3,958	Leisure and Youth	3,671
14,628	Net expenditure in Portfolio Analysis	16,134
286	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,852
694	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,357
<b>15,608</b>	<b>Cost of Services in Comprehensive Income and Expenditure Account</b>	<b>19,343</b>

### 30 Members' Allowances

In 2015/16, a total of £294,066 was paid out in members' allowances, compared with a total of £287,585 in 2014/15.

### 31 Officers' Remuneration and Termination Benefits

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

Officers' Remuneration and Termination Benefits		Salary and Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive	2015/16	125,219	720	-	125,939
	2014/15	120,961	720	-	121,681
Corporate Director (previously Director of Resources)	2015/16	78,781	300	15,005	94,086
	2014/15	86,796	635	16,435	103,866
Corporate Director (previously Director of Community and Environment )	2015/16	76,374	330	14,506	91,210
	2014/15	80,741	360	15,387	96,488
Head of Financial Services and Chief Finance Officer	2015/16	65,734	-	13,531	79,265
	2014/15	67,848	-	12,959	80,807

Refer to notes to this table on the following page

Notes to the Officers' Remuneration and Termination Benefits on the previous page

The rate of pension contribution to the Hampshire Pension Fund is 19.1%. This is split 13.1% of pensionable pay for individual employees plus an additional 6% relating to all scheme members.

Note 1: In 2014/15, Director of Resources show as two separate lines due to the retirement and subsequent appointment to the post. In the 2015/16 accounts the amounts stated are combined for (former) Director of Resources & Corporate Director.

Note 2: Corporate Director retired 29 February 2016, annualised salary of £83,317

The number of employees whose remuneration (including taxable benefits but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000, is shown below. Data shown includes senior employees.

The number of employees whose remuneration (including taxable benefits but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000	2014/15	2015/16
	No of employees	No of employees
<b>Remuneration Band</b>		
£50,000 - £54,999	7	6
£55,000 - £59,999	2	5
£60,000 - £64,999	2	1
£65,000 - £69,999	5	6
£70,000 - £74,999	2	-
£75,000 - £79,999	-	3
£80,000 - £84,999	1	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	-
£125,000 - £129,999	-	1

Exit Packages

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	No	No	No	No	No	No	£	£
£0-£20,000	-	-	3	3	3	3	27,749	25,640
£20,001-£40,000	-	-	-	1	-	1	-	32,005
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>27,749</b>	<b>57,645</b>

32 External Audit Costs

External Audit Costs	2014/15 £000	2015/16 £000
Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor	66	51
Fees payable to Ernst and Young for the certification of grant claims and returns	12	11
Rebate relating to fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	(6)	-
<b>Total</b>	<b>72</b>	<b>62</b>

### 33 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

2014/15 £000	Grant Income	2015/16 £000
	<b><u>Credited to Taxation and Non Specific Grant Income</u></b>	
2,441	Revenue Support Grant	1,756
1,401	New Homes Bonus	1,696
606	Section 31 Grants in Relation to Business Rates	520
298	Capital Grants & Contributions	150
112	New Burden Grant	161
62	Council Tax Freeze Grant	60
19	Business Rates Flood Relief Grant	-
7	Top Up Grant	7
7	IDEA GIS Grant	-
2	Section 31 Grant Temporary Empty Property	-
<b>4,955</b>	<b>Total</b>	<b>4,350</b>
	<b><u>Credited to Services</u></b>	
	<b>Communities and Local Government</b>	
386	Disabled Facilities Grant	-
88	Localising Council Tax Admin Subsidy	79
1	Council Tax Discount	-
	<b>Department for Works and Pensions</b>	
36,827	Housing Benefit Subsidy	36,897
491	Housing Benefit Admin Subsidy	430
144	Discretionary Housing Payment	125
59	Flexible Support Fund Grant (Skilled Up)	50
23	Other	31
96	<b>Cabinet Office</b>	41
403	<b>Developers Contributions</b>	867
	<b>Hampshire County Council</b>	
-	- Better Care Fund	425
52	Public Health Grant	21
90	Contribution for other projects	13
	<b>Other Grants and Contributions</b>	
85	Contributions for other projects	32
47	Big Lottery Fund Grant	49
19	Local & Parliamentary Elections contributions	34
6	Armed Forces Community Covenant	-
4	Developing Our Communities contribution for specific projects	(14)
-	- Supported through Big Local, administered by Local Trust for the Big Lottery Fund	4
1	Apprenticeship Grant	-
<b>38,822</b>	<b>Total</b>	<b>39,084</b>



The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the giver. The balances at year-end are shown in the table on the following page:

31st March 2015 £000	<b>The value of grants and contributions that have yet to be recognised as income as they have conditions attached to them</b>		31st March 2016 £000
1,500	S 106/grants	Developer's contributions & capital grants	2,238
52	Creditor	Armed Forces Community Covenant	52
21	Creditor	Big Lottery Fund Grant	-
<b>1,573</b>	<b>Total</b>		<b>2,290</b>

### 34 Related Parties

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. During 2015/16, the Council provided financial assistance to 120 organisations by way of direct grant payments (£827,292) and awards of rent relief (£192,778).

Within the Business Rates Retention Scheme, rate relief of (£677,382) has been awarded to charitable and not for profit organisations. The cost of the rate relief is shared between central government, Rushmoor Borough Council and Hampshire County Council (including Fire Authority) in the following proportions 50:40:10. The Council did not provide material financial assistance to any organisation, being more than 50% of their funding, on terms that gave the Council effective control over their operations. However, of the 121 voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

	£
Citizens Advice Bureau	296,189
Places for People Leisure Ltd	262,276
Farnborough and Cove War Memorial Hospital Trust Ltd	120,335
Rushmoor Voluntary Services	97,356
Step by Step	72,881
British Heart Foundation	58,174
Basingstoke Canal Management Committee	42,246
Trustees of Farnborough Community Centre Association	37,558
Dial A Ride	34,640
The Source Young Peoples Charity	33,366

Central Government - 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. council tax bills, housing benefits). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 33.

Members - Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 30. During 2015/16, no works or services were commissioned from companies in which members had an interest. Financial assistance totalling £896,515 was awarded to voluntary organisations in which 31 members had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Statement of Accounts working papers and the Register of Members interest, open to public inspection.

Officers - Chief Officers have not disclosed any material transactions with related parties.

### 35 Capital Expenditure and Capital Financing

The Council borrowed from the M3 Local Enterprise Partnership with the aim of using these funds to financing a capital scheme in the year 2015/16. As at 31st March 2016 use of the borrowed funds in relation to capital expenditure resulted in the Council incurring a capital financing requirement of £1.387m. Total capital expenditure in 2015/16 was £4.0 million of which £2.1m was revenue expenditure funded from capital under statute. A summary of this expenditure and how it was financed is shown below.

2014/15 £000	Capital	2015/16 £000
-	Opening Capital Financing Requirement	-
	<u>Capital Investment</u>	
1,750	Property, Plant and Equipment	1,541
-	Investment Property	-
299	Intangible Assets	316
153	Revenue Expenditure Funded from Capital under Statute	2,134
2,202	Total capital investment	3,991
	<u>Sources of Finance</u>	
(1,101)	Capital receipts	(835)
(810)	Government grants and other contributions	(653)
(291)	Direct revenue contributions	(1,116)
(2,202)	Total sources of finance applied	(2,604)
	<b>- Closing capital financing requirement</b>	<b>1,387</b>
	<u>Explanation of movements in year</u>	
	- Increase in underlying need to borrowing (unsupported by government financial assistance)	1,387
	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>1,387</b>

### 36 Leases

Council as Lessor  
Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

2014/15 £000	Leases	2015/16 £000
2,230	Not later than one year	2,190
8,045	Later than one year and not later than five years	7,919
91,071	Later than five years	89,062
<b>101,346</b>	<b>Total</b>	<b>99,171</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16, contingent rents of £1,973 were receivable by the Council (£4,509 in 2014/15).

### 37 Impairment Losses

The Council has employed a specialist company of Chartered Surveyors for the valuation of individual capital assets and groups of capital assets. As part of this review, impairment losses of £3.06 million were identified. Of this figure, £1.09 million was offset against previous revaluation gains for the individual assets and £1.97 million was charged directly to the relevant service revenue accounts.

### 38 Defined Benefit Pension Schemes

#### Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the scheme requires employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

**Transactions relating to post employment benefits**

The cost of retirement benefits are recognised in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16 £M	2014/15 £M	2015/16 £M	2014/15 £M
Cost of Services:				
Service cost comprising:				
· current service cost	2.02	1.64	-	-
· past service costs	-	0.01	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	1.29	1.48	0.15	0.19
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3.31</b>	<b>3.13</b>	<b>0.15</b>	<b>0.19</b>
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on Plan Assets (Excluding the amount included in the net interest expense)	1.30	(6.61)	-	-
Actuarial gains and losses arising on changes in financial assumptions	(3.97)	11.43	(0.09)	0.28
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
Actuarial gains and losses arising from liability experience	(1.15)	(0.63)	(0.08)	(0.05)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(0.51)</b>	<b>7.32</b>	<b>(0.02)</b>	<b>0.42</b>
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3.31)	(3.13)	(0.15)	(0.19)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	1.61	1.54		
Retirement benefits payable to pensioners			0.30	0.30

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16 £M	2014/15 £M	2015/16 £M	2014/15 £M
Present value of the defined benefit obligation	112.59	115.18	4.54	4.86
Fair value of plan assets	73.84	74.31	-	-
Net liability arising from defined benefit obligations	38.75	40.87	4.54	4.86

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16 £M	2014/15 £M	2015/16 £M	2014/15 £M
Opening fair value of scheme assets	74.31	66.28	-	-
Interest income	2.35	2.82	-	-
Remeasurement gain/(loss) on assets	(1.30)	6.61	-	-
Contributions from employer	1.61	1.54	0.30	0.30
Contributions from employees into the scheme	0.60	0.66	-	-
Net Benefits paid	(3.73)	(3.60)	(0.30)	(0.30)
Closing balance at 31st March	73.84	74.31	-	-

**Reconciliation of present value of the scheme liabilities (defined benefit obligation)**

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16 £M	2014/15 £M	2015/16 £M	2014/15 £M
Opening balance at 1st April	115.18	101.37	4.86	4.74
Current service cost	2.02	1.64	-	-
Interest cost	3.64	4.30	0.15	0.19
Contributions by scheme participants	0.60	0.66	-	-
Remeasurement (gains) and losses:				
Actuarial gains and losses arising from changes in financial assumptions	(3.97)	11.43	(0.09)	0.28
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-	-
Actuarial gains and losses arising from changes due to liability experience	(1.15)	(0.63)	(0.08)	(0.05)
Net Benefits paid	(3.73)	(3.60)	(0.30)	(0.30)
Past service costs	-	0.01	-	-
Closing balance at 31st March	112.59	115.18	4.54	4.86

The re-measurement gain on the net defined benefit liability is comprised of:

- Return on plan assets – a measure of return (income from dividends, interest etc, and gains on invested sums) on the investment assets held by the scheme for the year
- Actuarial gains and losses – arise where actual events have not coincided with actuarial assumptions made for the last valuation.

The actual return on scheme assets in the year was £1.05 million (2014/15: £9.43 million).

**Scheme history**

	31st March 2016 £000	31st March 2015 £000	31st March 2014 £000
Present value of liabilities:			
Local Government Pension Scheme	(112,590)	(115,180)	(101,370)
Discretionary Benefits	(4,540)	(4,860)	(4,740)
Fair value of assets in the Local Government Pension Scheme	73,840	74,310	66,280
Surplus/(deficit) in the scheme:			
Local Government Pension Scheme	(38,750)	(40,870)	(35,090)
Discretionary Benefits	(4,540)	(4,860)	(4,740)
Total Surplus/(Deficit) in the Scheme	(43,290)	(45,730)	(39,830)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £43.29 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. 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 (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2017 is £1.69 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 future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2013.

The principal assumptions used by the actuary have been:

Financial Assumptions:	31st March 2016 %	31st March 2015 %	31st March 2014 %
Rate of inflation (RPI)	2.90	2.90	3.30
Rate of inflation (CPI)	1.80	1.80	2.30
Rate of increase in salaries	3.30	3.30	3.80
Rate of increase to pensions in payment	1.80	1.80	2.30
Rate of increase to deferred pensions	1.80	1.80	2.30
Rate for discounting scheme liabilities	3.40	3.20	4.30
Pension accounts revaluation rate	1.80	1.80	n/a

Mortality assumptions:	31st March 2016 Years	31st March 2015 Years	31st March 2014 Years
Longevity at 65 for current pensioners:			
Men	24.6	24.5	24.4
Women	26.4	26.3	26.2
Longevity at 65 for future pensioners:			
Men	26.7	26.6	26.5
Women	28.7	28.6	28.5

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31st March 2016 %	31st March 2015 %	31st March 2014 %
Equities	56.3	57.8	60.8
Property	8.2	8.0	7.5
Government Bonds	25.7	25.4	23.6
Corporate Bonds	2.1	1.6	1.6
Cash	4.7	3.7	3.8
Other assets	3.0	3.5	2.7
	100.0	100.0	100.0

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions outlined above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the present value of the funded defined benefit obligation in the Scheme	Increase in Assumption £M	Decrease in Assumption £M
Rate of inflation (adjustment to discount rate +0.1% or - 0.1% pa)	(1.90)	1.93
Rate of increase in salaries (increase or decrease by 0.1% pa)	0.33	(0.33)
Rate of increase to pensions in payment & rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	1.60	(1.57)
Post retirement mortality assumption (increase or decrease by 1 year)	2.86	(2.87)

### 39 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- 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 renew a financial instrument on maturity at disadvantageous interest rates or terms;
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Council in the Annual Treasury Management Strategy. This Strategy is drawn up in compliance with CIPFA's Code of Practice for Treasury Management in the Public Services and with the Prudential Code for Capital Finance in Local Authorities. 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) which are periodically reviewed.

Actual treasury management performance is reported to Members bi-annually and benchmarked against a number of other Local Authorities.

The Annual Treasury Management Strategy for 2015/16 and the Prudential Indicators for Capital Finance were approved by Council on the 26th February 2015 and are available on the Council's website.

#### Credit risk

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

This 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 the Fitch, Moody's and Standard and Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested, and a maximum length of investment, with a financial institution located within each category, or with a particular type of counterparty. It also specifies a maximum percentage of the total portfolio that may be invested with each type of counterparty. Details of the Investment Strategy can be found within the Annual Treasury Management Strategy for 2015/16 on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.



		Amount at 31st March 2016	Historical experience of default	Historical experience adjusted for market conditions 31st March 2016	Estimated maximum exposure 31st March 2016	Estimated maximum exposure 31st March 2015
		£000 (A)	% (B)	% (C)	£000 (A x C)	£000 (A x C)
Cash and Cash Equivalents	AAA rated	6,823	-	-	-	-
Long Term Debtors		182	-	-	-	-
Trade Debtors		3,753	0.70	0.70	26	22
		10,758			26	22

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 it’s counterparties in relation to its deposits.

The Council does not generally allow credit for customers, such that £1.1 million of the £3.8 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

<b>The past due amount can be analysed by age</b>	31st March 2015 £000	31st March 2016 £000
Less than two months	282	191
Two to six months	120	377
Six months to one year	74	207
More than one year	225	358
<b>Total</b>	<b>701</b>	<b>1,133</b>

Collateral – During the reporting period the Council held no collateral as security.

Liquidity risk

The Council manages its liquidity position through risk management procedures as referred to above, including the setting and approval of prudential indicators and the approval of the Annual Treasury Management Strategy as well as through cash flow management procedures. This seeks to ensure that cash is available as needed.

In the event of an unexpected cash requirement, the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need. 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.

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 the maturing of longer term financial assets. The approved limits placed on investments of 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 investments to ensure 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 Council incurred some long-term borrowing in 2015/16, analysis for which is detailed below. The maturity analysis of its financial assets is as follows:

<b>Maturity Analysis of Financial Assets</b>	31st March 2015 <b>£000</b>	31st March 2016 <b>£000</b>
Less than one year	25,388	12,015
Between one and two years	24	3,023
Between two and three years	17	4,440
More than three years	22,532	20,275
<b>Total</b>	<b>47,961</b>	<b>39,753</b>

Trade debtors of £3.8 million are not included in the above table.

<b>Analysis of Financial Liabilities</b>	31st March 2015 <b>£000</b>	31st March 2016 <b>£000</b>
Less than one year	-	579
Between one and two years	-	678
Between two and three years	-	804
More than three years	-	2,639
<b>Total</b>	<b>-</b>	<b>4,700</b>

Market risks

Interest rate risk

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

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

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance, in 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.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

At 31st March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	146
Impact on Surplus or Deficit on the Provision of Services	146

The impact of a 1% fall in interest rates cannot be provided as the base rate prevailing throughout the year 2015/16 was historically low, and allowance for a full 1% reduction would be economically impossible in the circumstances of the year.

Price risk

The Council has no equity shares or shareholdings and therefore has no exposure to loss arising from movements in share prices.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies, and thus had no exposure to loss arising from movements in exchange rates in 2015/16.

**40 Contingent Liabilities**

Local Land Charges - A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The Council has settled some costs in 2015/16 and prior years. There remains the potential for new claimants to come forward but the value of the liability is unknown.

**Collection Fund**

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

2014/15 £000	Collection Fund Income and Expenditure Account	2015/16		
		£000	£000	£000
		<b>Council Tax</b>	<b>NDR</b>	<b>Total</b>
	<b>Income</b>			
43,320	Income from Council Tax payers	43,837		43,837
44,127	Income from Non Domestic Rate payers		46,036	46,036
<b>87,447</b>		<b>43,837</b>	<b>46,036</b>	<b>89,873</b>
	<b>Expenditure</b>			
	<b>Precepts</b>			
30,659	Hampshire County Council	30,879		30,879
4,557	Police & Crime Commissioner for Hampshire	4,681		4,681
1,813	Hampshire Fire and Rescue	1,826		1,826
5,437	Rushmoor Borough Council	5,476		5,476
	<b>Business rates:</b>			
125	Allowance for collection		126	126
3,585	Payments to Hampshire County Council		4,190	4,190
398	Payments to Hampshire Fire and Rescue Authority		466	466
15,934	Payments to Rushmoor Borough Council		18,620	18,620
19,918	Payments to Government		23,275	23,275
	<b>Provision for bad and doubtful debts</b>			
159	Council Tax	268		268
376	NDR		335	335
(6,292)	Provision for NDR appeals		1,589	1,589
	<b>Collection fund surplus/deficit</b>			
843	Council Tax	1,169		1,169
(11,184)	NDR		10,886	10,886
<b>66,328</b>		<b>44,299</b>	<b>59,487</b>	<b>103,786</b>
(21,119)	Net Movement in Fund	462	13,451	13,913
7,250	Balance b/fwd 1 April	(2,282)	(11,587)	(13,869)
<b>(13,869)</b>	<b>Balance c/fwd 31st March (surplus)/deficit</b>	<b>(1,820)</b>	<b>1,864</b>	<b>44</b>
	<b>The (surplus)/deficit as at 31st March allocated to:</b>			
(2,689)	Hampshire County Council	(1,315)	168	(1,147)
(247)	Police & Crime Commissioner for Hampshire	(197)	0	(197)
(213)	Hampshire Fire and Rescue	(77)	18	(59)
(4,927)	Rushmoor Borough Council	(231)	746	515
(5,793)	Government	-	932	932
<b>(13,869)</b>		<b>(1,820)</b>	<b>1,864</b>	<b>44</b>

**Notes to the Collection Fund**

**1. Council Tax**

Council Tax derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hampshire County Council, Police, Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts: (£29,751.47 for 2015/16). This basic amount of Council Tax for a Band D property (£1,440.66 for 2015/16) is multiplied by an appropriate ratio to produce the amount due for the bands A to H. Council Tax bills are based on the following dwellings and proportions.

<b>Tax Band</b>	<b>Discounted Equivalent Dwellings</b>	<b>Weighting</b>	<b>Band D Equivalent</b>
A (Disabled Relief)	0	5/9	0
A	738	6/9	492
B	5,327	7/9	4,143
C	11,736	8/9	10,432
D	6,747	1	6,747
E	3,393	11/9	4,147
F	1,063	13/9	1,534
G	278	15/9	463
H	6	18/9	12
O (Army)	1,781	0	1,781
<b>Total</b>			<b>29,751</b>

**2. Income from Non-Domestic Rates**

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate specified by the government. In 2013/14 the administration of NDR changed following the introduction of the business rates retention scheme, so instead of of paying the NDR to the pool the local authority retains a share of the total collectable rates due. For Rushmoor this is 40%, Hampshire County Council 9%, Hampshire Fire and Rescue Authority 1% and the Government 50%

The rateable value of properties at 31 March 2016 is £108,282,645 and the national non-domestic multiplier was 49.3p. This gives a potential business yield of £53.4 million. The actual business rates collectable for 2015/16, after reliefs, is £46 million. In addition there is an adjustment to the business rates income for the provision on appeals to the collection fund. This provision, for 2015/16, has been increased from £4.4 to £6 million, due to the number and value of appeals to be agreed. In 2015/16 there has been a movement from surplus to deficit, to the collection fund for business rates, largely due to increase in provisions provisions for appeals as referred to above, and higher than anticipated reliefs to the business ratepayers compared to estimates.

**3. Provision for Council Tax and NDR Bad or Doubtful Debts and NDR provision for valuation appeals**

Provisions for bad or doubtful debts are assessed annually and charged to the collection fund

2014/15 £000	Collection Fund - Provisions for bad or doubtful debts	2015/16 £000
	<b><u>Council Tax</u></b>	
705	Provisions at 1st April	783
159	Provisions made in year	268
(81)	Written off in year	(81)
<b>783</b>	<b>Provisions at 31st March</b>	<b>970</b>
	<b><u>NDR</u></b>	
324	Provisions at 1st April	553
376	Provisions made in year	335
(147)	Written off in year	(124)
<b>553</b>	<b>Provisions at 31st March</b>	<b>764</b>
	<b><u>NDR Valuation Appeals</u></b>	
10,696	Provisions at 1st April	4,404
(6,292)	Provisions made in year	1,589
<b>4,404</b>	<b>Provisions at 31st March</b>	<b>5,993</b>

### Glossary of Terms

#### **Assets Held For Sale**

An asset is classified as held for sale if its carrying amount will be recovered mainly through selling the asset rather than through usage.

#### **Billing Authority**

A local authority responsible for collecting the council tax and non-domestic rates in areas where there is a two-tier system of county and district councils.

#### **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.

#### **Capital Receipts**

The proceeds from the disposal of land or other assets.

#### **Collection Fund**

A Statutory Fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the authority, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.

#### **Community Assets**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

#### **Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

#### **Current Assets**

Assets which may change in value on a day to day basis

#### **Depreciation**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

#### **Financial Instruments**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another.

#### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

#### **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

### **Heritage Assets**

Assets that are held and maintained by an entity principally for their contribution to knowledge and culture. The key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important.

### **Intangible Assets**

Intangible assets are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights e.g. software licenses.

### **Inventories**

Materials or supplies unused and held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

### **Investments**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

### **Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. 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.

### **Joint Ventures**

An entity established with contractual or binding arrangements whereby two or more parties are committed to undertake an activity that is subject to their joint control, with strategic, financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing the control.

### **Liabilities**

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year.

### **Long Term Assets**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

### **Non-Distributed Cost**

These are overheads for which no user now benefits and should not be apportioned to services.

### **Operating Leases**

A lease other than a finance lease.

### **Provisions**

Amounts set aside for expenditure in a future financial period as a result of an obligation arising from a past event. The obligation must be expected to result in a payment that can be reasonably estimated.

### **Related Party Transactions**

A related party transaction is the transfer of assets or liabilities or the performance by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.



**Reserves**

These are amounts set aside for specific purposes where there is no certainty about the level and timing of expenditure.

**Revenue Expenditure**

The operating costs incurred by the Council during the financial year in providing its day to day services.

**Revenue Support Grant**

Grant paid by the Government to local authorities to help them finance the cost of their services. The system is designed so that if all local authorities spend at the level determined by the Government, the Council tax would be the same across the country.

**Useful Life**

The period over which the local authority will derive benefits from the use of a fixed asset.

**RUSHMOOR BOROUGH COUNCIL**

**ANNUAL CORPORATE GOVERNANCE STATEMENT 2015/16**

**1 SCOPE OF RESPONSIBILITY**

1.1 Rushmoor Borough Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which include arrangements for the management of risk.

1.3 The Council approved and adopted a revised Code of Corporate Governance on the 10th July 2014, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (based on the December 2012 addendum). A copy of the Code is available on the Council’s website. CIPFA published Delivering Good Governance in Local Government: Framework (2016 Edition) in April 2016 and the Council will review its Code of Corporate Governance against this framework in the forthcoming year.

1.4 This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Code of Regulations 2015, regulation 6(1), which require all relevant public bodies to prepare an annual governance statement.

**2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

2.1 The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective value for money Services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of

the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Council for the year ended 31st March 2016 and up to the date of the approval of the Council's Statement of Accounts.

### **3 THE GOVERNANCE FRAMEWORK**

3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are as described below and include arrangements for:

#### **Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

3.2 There is a clear vision of the Council's purpose and intended outcomes for citizens and service users communicated within the organisation and to stakeholders. This is set out in the Rushmoor Borough Council Corporate Plan 2015-2016 as "working with others to improve the quality of people's lives". This document has been informed by the Rushmoor Strategic Partnership Sustainable Community Strategy (SCS) 2010-2026 prepared by the Rushmoor Strategic Partnership, a non-statutory, non-executive organisation working within the boundaries of Rushmoor bringing together the skills of the public, private, voluntary and community sectors when working at a local level. This document sets out the partners' vision for the future and the key priorities for the future. The vision and priorities from the SCS have been reflected in the Corporate Plan. The Corporate Plan will be reviewed during 2016-17.

3.3 Underpinning the Purpose in the Corporate Plan are five themes:-

- Leadership: Providing leadership to make Rushmoor the place where our communities want to live and work
- Prosperity: Sustaining and developing our local economy
- Place: Protecting and developing a safe, clean and sustainable environment
- People and Communities: Supporting our people and communities and meeting local needs
- Good Value Services: Ensuring quality services that represent good value for money

#### **Reviewing the authority's vision and its implications for the Authority's governance arrangements**

3.4 The Cabinet reviews progress against the Corporate Plan on a quarterly basis by reviewing the targets that relate to what the Council has said that it will do in order to deliver the plans priorities. Details of these reviews are published and the 4th quarter review informs the measures and targets to be incorporated in the next year's plan. The Council's Cabinet meeting of the 31st May considered the 4th quarter and the end of year monitoring report.

3.5 The Directors' Management Board (DMB) and the Council's service heads also undertake regular more detailed monitoring and performance against targets in the Corporate Plan and which also can be scrutinised by member panels with specific remits. This acts as the key corporate performance monitoring process for the Council.

3.6 The Council has adopted a Code of Corporate Governance (CCG), which identifies, in one document, how the Council ensures that it runs itself in a lawful, structured, ethical and professional manner. The CCG is administered by the Head of Democratic and Customer Services and the Head of Paid Service (Chief Executive) in consultation with the Solicitor to the Council and is subject to an annual "light touch" review with any recommendations presented to the Licensing and General Purposes Committee (formerly the Standards and Audit Committee).

**Measuring the quality of services for users, to ensure that they are delivered in accordance with the authority's objectives and for ensuring they represent the best use of resources**

3.7 The Rushmoor Borough Council Corporate Plan - Strategic and Performance Updates Quarter 4 2015-16 and End of Year Section 3 Key Initiatives and Service Measures in the Good Value Services section sets out the monitoring measures and the customer satisfaction results on the web site service, Customer Service Unit call statistics and customer satisfaction surveys.

3.8 The Council's Procurement Strategy and associated Contract Standing Orders, which form part of the Council's constitution, govern how the Council buys the supplies, services and works that it needs. The Council is committed to achieving Best Value from its suppliers and ensuring that goods and services are procured in the most efficient and cost effective way.

**Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements**

3.9 The Council has a Constitution that sets out how it operates, how decisions are made (including Officers Delegated Powers contained in Part 3 of the Constitution) and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Some of these procedures are statutory whilst other are discretionary in nature. The Constitution is divided into 16 Articles and sets out the detailed rules governing the Council's business. It is published on the internet at <http://www.rushmoor.gov.uk/article/3625/The-constitution>

**Developing, communicating and embedding codes of conduct, defining the standard of behaviour for members and staff**

3.10 The Council's Constitution contains a Code of Conduct for Councillors, which was reviewed in 2014 and contains the statutory code relating to disclosable pecuniary interests, requirements relating to the disclosure of non-pecuniary interests and sets out the expected behaviour and standards to be adhered to by councillors. In

addition, the Protocol for Member-Officer Relations, the Disciplinary Procedure, the Code of Conduct for Officers, the Whistle Blowing Policy and the Anti-Fraud and Corruption Policy set out the standards of service and conduct that are expected of employees.

**Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality**

3.11 The Council's Constitution details how the Council operates, including how decisions are made and the role of the Policy and Review Panels performing scrutiny and overview functions. It also includes the powers, duties and functions that are delegated to officers in Part 3 of the Constitution. The Head of Democratic and Customer Services, with advice from the Monitoring Officer, is conducting an ongoing review of the Council's constitutional arrangements in order to ensure that the arrangements are up to date and compliant with the Council's legal duties. The Licensing and General Purposes Committee will consider reports prior to submission to Council for adoption of any recommended changes.

**Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

3.12 The Standards and Audit Committee had responsibility for providing independent assurance on the adequacy of the risk management framework and the internal control and reporting environment including (but not limited to) the reliability of the financial reporting processes and the annual governance statement. This Committee has been merged with the Licensing and General Purposes Committee from May 2016, which will continue to discharge this role. In addition, the Licensing and General Purposes Committee needs to satisfy itself that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.

3.13 The Council has in place a Risk Management Policy which is under review and which sets out the Council's overall approach to managing risk. The policy, which was formally approved by the Standards and Audit Committee (and in future the Licensing and General Purposes Committee), is to be subject to an annual review by a risk management group. This will be reported to the Licensing and General Purposes Committee, to ensure that it continues to reflect good practice and remains aligned with current business processes and practices and allows the Council to maintain the Corporate Risk Register.

3.14 The Council also has in place a Business Continuity and Disaster Recovery Plan, which is undergoing a refresh and will be retitled the Business Continuity Plan and considered by Licensing and General Purposes Committee in 2016.

**Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

3.15 The Council has in place an Anti-Fraud and Corruption Policy and which is published on the internet as part of the Council's Constitution reflecting the Council's approach and commitment to the prevention and detection of fraud and corruption.

**Ensuring effective management of change and transformation System Thinking**

3.16 The Council continues to develop and deliver improvements using System Thinking (ST) principles to improve the quality and efficiency of its services and the organisation through an intervention programme, shared learning, training and development activities. A Systems Thinking Learning Network has been developed embedding the learning across the organisation with services carrying out their own ST reviews, with a review having been carried out in Local Taxation this year and with a ST review of Sundry Debtors being planned for this year. System Thinking showcases have been given to both staff and members. Service reviews of Parking and Personnel Services have also been undertaken this year. Wider learning events have also been held with other local authorities who also use the method. This year, shared learning events have taken place with Portsmouth, Windsor & Maidenhead and Waverley Councils.

3.17 A Channel Shift and Mobile Working Project is in place aimed at improving customer interaction and identifying efficiency savings. Additionally, linked to the 8-Point Plan, a wider digital strategy is being developed in consultation with elected members and partner organisations.

3.18 A Co-location programme has been developed to create an appropriate and effective working environment, which secures significant financial benefit and prepares the Council to meet future changes in services. A second phase of this successful programme is currently being worked upon to identify short and longer-term opportunities. This project is now incorporated within Point 4 of the 8-Point Plan.

3.19 Shared Services - The Council has an existing programme of shared services and has, this year, established a shared Building Control service between Rushmoor and Hart DC to secure resilience of the service.

3.20 The 8-Point Plan - Further work has been undertaken to deliver and develop the Council's 8 Point Plan that is a strategy to ensure financial and service sustainability, by reducing net revenue spend over the medium to long term. The plan contains eight projects, which are as follows:-

- Point 1: The Work Book
- Point 2: Efficiency and Transformation
- Point 3: Income Generation and Investment Opportunities
- Point 4: Better Use of Property and Assets
- Point 5: Financial Strategy
- Point 6: Organisational Structure
- Point 7: Better Procurement, and

□ Point 8: Effective Taxation Policies

Each project within the plan has a programme manager and a senior management level programme board provides governance, oversight and the resources required by programme managers to enable the projects to move forward. The 8-Point Plan is “owned” by the Cabinet and all staff and councillors have been briefed upon the projects contained within the plan.

3.21 The Organisational Development Strategy, which is designed to support the service transformation and cultural change required for longer term financial sustainability, continues to be developed with Action Learning Sets, mentoring and coaching initiatives and Crucial Conversations Training for senior and middle managers having been completed. This strategy and related programme is designed to shape a flexible, motivated and effective workforce fit for the future and to support the community leadership role of councillors.

3.22 Organisational Structure (Point 6 of the 8 Point Plan) - this project is reviewing the functional and organisational arrangement of the Council, identifying a range of possible options for the design of the organisation into the future. A budget challenge process was introduced this year where Directors reviewed service budgets with Heads of Service to identify savings and new ways of working.

3.23 Options for future contract arrangements for refuse, recycling and ground maintenance - the Council is currently engaged in competitive dialogue procurement to deliver this service to a high standard and, subject to the tendered outcomes, at a reduced cost.

3.24 The Welfare Reform Task and Finish Group reviewed the Local Council Tax Support Scheme. Following public consultation, changes to the scheme were introduced. The group continue to review the impact of this and government welfare change on our most vulnerable residents. The government have now set up working groups to consider (i) system design (ii) needs and redistribution, and (iii) responsibilities.

3.25 The legislation to introduce 100% Business Rates retention will be the Local Growth and Jobs Bill, which will be introduced in early 2017. A consultation paper is expected to be issued later this year.

**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)**

3.26 The Chief Financial Officer has responsibility for the proper administration of the Council’s financial affairs in accordance with Section 151 of the Local Government Act 1972. The Council has designated the Head of Financial Services as the Chief Financial Officer. While this arrangement does not conform precisely with the requirements of the CIPFA Statement, it does not impact on the effectiveness of the Chief Financial Officer in undertaking her role. The Head of Financial Services is a

member of the WLT and has unfettered access to Directors' Management Board, the Chief Executive and to Cabinet.

3.27 A significant review of the Council's senior management structure was undertaken in 2014/2015 with collaborate working by senior officers to establish an officer structure for the Council, which is fit for the challenges of the future. This review revised the role of DMB to enhance its strategic role and to devolve operational issues to Heads of Service. The DMB now consists of two Corporate Directors and the Chief Executive. Directors no longer have direct service responsibility but manage a number of strategic projects, which cut across a number of different service areas within the Council. During this year, DMB introduced Board appraisals for the Wider Leadership Team (WLT). The Council's WLT has been further reviewed and reduced to seven Heads of Service following the appointment of a Head of Service to the role of Director. The WLT, together with the members of the DMB, forms the Senior Leadership Team for the Council. The appointment of the new Director will lead to a review the responsibilities of some of the Heads of Service to include the services previously managed by that Director. Each Head of Service will be looking at the structure within their service area over the coming year.

**Ensuring the authority's assurance arrangements conform with the governance requirement of the CIPFA "Statement on the Role of the Head of Internal Audit (2010)**

3.28 The Head of Internal Audit (HIA) occupies a critical position in the organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. The HIA reports directly to the Corporate Director who has strategic responsibility for this function and has unfettered access to the Chief Executive, Chief Financial Officer, DMB and to the Licensing and General Purposes Committee. The HIA works closely with the WLT in carrying out internal audit work, promoting good governance and more recently in providing project management expertise. The HIA also works closely with the independent, external auditor in order to use audit resources most effectively.

**Ensuring the arrangements are in place for the discharge of the monitoring officer function**

3.29 The Solicitor to the Council is designated as the Monitoring Officer with responsibility for ensuring compliance with established policies, procedures, laws and regulation, and reporting any actual or potential breach of the law or maladministration to the full Council and / or the Cabinet. The Legal Services Manager is the nominated Deputy Monitoring Officer.

**Ensuring effective arrangement are in place for the discharge of the Head of Paid Service function**

3.30 The Chief Executive is designated as the Head of Paid Service with responsibility for leading the DMB and the WLT and in driving forward the strategic agenda, set by Cabinet, improving the efficiency and performance of the council and ensuring that the community receives high quality, value for money services.



**Undertaking the core function of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities**

3.31 The Council has a formally constituted Licensing and General Purposes Committee that undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. It provides independent assurance on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting processes and the annual governance statement. The Council's Licensing & General Purposes Committee is also the body 'charged with governance'.

**Whistle Blowing and receiving and investigating complaints from the public**

3.32 The Council is committed to the highest possible standards of openness, probity and accountability and has in place a "Whistle Blowing Policy". This Policy was revised in 2014 and reflects the legal framework and obligation on the Council to enable staff to raise concerns that may involve unlawful conduct, illegality, financial malpractice or dangers to the public, employees or the environment.

3.33 Complaints from the public are dealt with in accordance with the Complaints Policy. This Policy is under revision to reflect the Ombudsman's guidance and will be coming forward for approval by Cabinet shortly and will then be published on the Council's website. There is a separate policy in place in respect of dealing with complaints made about members, which is on the Council's website.

**Identifying the development needs of members and senior officer in relation to their strategic roles, supported by appropriate training**

3.34 The Council has developed and keeps under review a Member Training and Development Plan, which is aimed at providing a long-term view to learning and development, whilst remaining sufficiently flexible to reflect changing priorities. The Council was awarded the South East Employers Charter for Member Development in 2013, following an assessment of the Council's training programme. The Cabinet has appointed a cross party Member Development Group to drive forward member development and support.

3.35 The Member Training and Development Plan currently include the following:-

- Induction Programme
- Regulatory roles training, including licensing and development management
- Ward Member mentoring Scheme
- Skills training and workshops
- Personal development planning is offered and available
- Work shadowing front line services
- Scrutiny training
- Governance and Code of Conduct training
- A range of electronic resources and training

3.36 This year, the Council's appraisal programme has been refreshed with appraisal processes designed to suit individual services.

3.37 The Council's Organisational Development Programme for staff is now moving into its fourth year and has been rolled out throughout the organisation to ensure that the Council is sustainable for the future. Action Learning Sets, Coaching Skills, System Thinking Learning Networks, Appraisal champion's group work on management development, reviews of some key policies and engagement with staff through the Chief Executive's briefing sessions are all features of this programme for 16/17.

**Establishing clear channels of communication with all sections of the community and other stake holders, ensuring accountability and encouraging open consultation**

3.38 The Council believes that all people should have the opportunity to voice their opinions on issues that affect them and to this end developed a Community and Business Engagement Strategy. During 2015/16, Members agreed a new focus for communications to increase digital communications alongside traditional methods such as Arena, the Council's magazine. The Council actively seeks the views of customers and staff through customer satisfaction surveys, community consultations, working with community groups, events and exhibitions, social media and through its web site. The Council has a walk in Customer Services Unit, where customers can seek advice and access services.

3.39 The Council promotes how people can have their say in a number of ways. It publicises individual consultations through traditional media (media, posters, flyers, exhibition boards, etc.), email, social media and its website. The Council's Statement of Community Involvement guides and Planning Policy consultations.

3.40 As part of the Council's work on organisational development, work has continued with elected Members to understand their community leadership and representational roles and how these can be developed in the future.

3.41 The Rushmoor Borough Council website has a section devoted to enabling people to 'have their say', including an on-going survey about the Council and the local area. The website also provides information about the Rushmoor Business Network, the Senior Citizens' Forum, the Council's Citizens' Panel and the Rushmoor Youth Forum.

3.42 The purpose of these various groups is to provide a systematic analysis of needs provision, opportunities and gaps in the Borough, based on accurate, relevant and up-to-date information that will inform collaborative work with partners and help deliver the priorities in the Rushmoor Corporate Plan. The Council also carries out an annual budget consultation exercise with its Senior Citizens' Forum, business ratepayers and the voluntary sector.

**Enhancing the accountability for service delivery and effectiveness of other public service providers**

3.43 The Council produces an annual Corporate Plan. This plan sets out its future priorities and planned activities and actions to deliver on the Council's stated purpose of "working with others to improve the quality of people's lives". The

Cabinet reviews progress against the Corporate Plan on a quarterly basis. The Directors' Management Board also regularly carries out monitoring and the Council's senior officers and member panels scrutinise performance on areas under their particular remit. This report acts as the key corporate performance monitoring process for the Council. The quarterly report contains details of performance and identifies where targets are not being met, or where slippage has occurred in delivering improvement measures.

3.44 A number of Council services are delivered in partnership with external service providers. A contract management team that provide a senior management interface between the Council and our partnership service provider manages these out sourced contracts. All such arrangements include a suite of key performance indicators and are based upon a culture of continuous improvement, recognising the need to achieve a balance between the Council's financial position and long term strategic aims

**Incorporating good governance arrangements in respect of partnership and other joint working as identified by the Audit Commission report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements**

3.45 The terms of all joint working arrangements with other authorities are set out in Joint Service agreements, such as that of the North Hampshire Community Safety Partnership.

**4. REVIEW OF EFFECTIVENESS**

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of the Chief Executive and Directors within the Authority that has responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

4.2 The review process applied in respect of maintaining and reviewing the effectiveness of the system of internal control is informed by:-

- The views of Internal Audit reported to the Licensing and General Purposes Committee via the Internal Audit Progress Report, which includes executive summaries of new reports published where critical weaknesses or unacceptable levels of risk were identified
- The views of the external auditors, regularly reported to the Licensing and General Purposes Committee, including regular progress reports, the Annual Audit Letter and Annual Governance Report
- The Chief Internal Auditor Annual Report and Opinion on the adequacy and effectiveness of the Council's internal control environment
- The Internal Audit Strategy and delivery of the annual operational plan

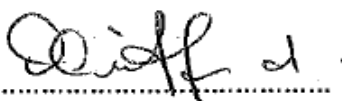
- The work of the Corporate Directors and Chief Executive and Head of Democratic and Customer Services within the authority who have responsibility for the development and maintenance of the governance environment
- The independent views of regulatory inspection agencies such as the OSC and Government Connect audit
- The Risk Management Strategy, the Risk Management Manual and the Corporate Risks Register supported by the work of the Risk Management Group
- The work of the Licensing and General Purposes Committee to the discharge of its responsibility to lead on all aspects of corporate governance
- The Licensing and General Purposes Committee has advised us on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

	<b>GOVERNANCE ISSUE</b>	<b>PLANNED ACTION</b>	<b>OFFICER RESPONSIBLE</b>
1	The Council's Anti-Fraud and Corruption Policy, Whistle Blowing Policy and Anti- Money Laundering Policies have all been updated and require monitoring to ensure that they are effective	Appropriate arrangements are to be made to communicate the updated policies to staff and responsibility for monitoring compliance with these policies will be undertaken by the Risk Management Group	Auditor
2	Contract Standing Orders have been revised and a training programme has been rolled out throughout the Council to ensure compliance	Review to ensure that all contracting officers have attended training on the Contract Standing orders, procurement procedures and contracts register	Successor Head of Service to the Head of Strategy Engagement and Organisational Development
3	Revised Code of Conduct has been adopted covering interests other than DPI's	Make sure all new members are trained to the same standard as existing members	Monitoring Officer
4	Media guidelines for councillors	In view of the increased use of social media for communications and engagement, the Council will consider adopting social media guidance for staff and councillors. Current guidance and protocols will be updated during 2016/17.	Monitoring Officer and Head of Strategy Engagement and Organisational Development
5	Confidential Information	Review need for protocol	Monitoring Officer
6	Complaints procedure	Complaints procedure has been reviewed in accordance with new regulators' code and following approval, staff need to be informed of revised procedures and the procedure promoted on the Council's website	Head of Democratic and Customer Services

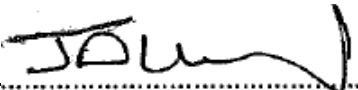
7	Transparency Code	Complete the work required to comply with the Code of recommended Practice of Local Authorities on Data Transparency Dec 2014 in relation to land ownership	Monitoring Officer and Head of IT & Facilities
8	Equality Objectives	Work towards “developing standard” of the Public Sector Equalities Duty across the Council	Monitoring Officer
9	Fraud	Embed the new arrangement for investigating corporate fraud resulting from the transfer of the benefit investigation function to the DWP and monitor effectiveness	Head of Finance
10	Project management	The Council has been strengthening its management and governance of projects associated with the 8-Point Plan, and has agreed to develop and implement a programme of improvement for Capital Project Management and projects generally. In terms of capital projects, the Council has considered an internal audit report in October 2015 on how this could be improved and agreed some key points to be taken forward by the Asset Management Group.	Head of Strategy Engagement and Organisational Development in consultation with Audit
11	Peer Review	Respond to the findings of the Peer Challenge and agree and implement an action/ improvement plan. Key recommendations from the Peer Review have been incorporated into our performance management and project governance processes.	DMB

12	Scheme of Delegation	Review of the officer Scheme of Delegation is underway	Head of Democratic and Customer Services
13	Risk Management	Review and update the Risk Management Policy and the Corporate Risks Register	Head of Financial Services
14	Amalgamation of Licensing & General Purposes and Standards & Audit Committees	Training on new roles and responsibilities	Head of Financial Services and Audit Manager
15	Review of Code of Governance	To reflect the Delivering Good Governance in Local Government: Framework (2016 Edition	Solicitor to the Council

4.3 We propose over the coming year to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that these steps will address the needs for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review

Signed..... 

**Leader of the Council**

Signed..... 

**Chief Executive**

Dated..... 28th June 2016

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 Rushmoor Borough Council  
September 2016

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# Rushmoor Borough Council

Audit Results Report - ISA (UK and Ireland) 260  
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Licensing and General Purposes Committee (LGPC) – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Rushmoor Borough Council for the year ended 2015/16. Subject to satisfactory completion of the outstanding items included in Appendix C we will issue an unqualified audit opinion.</p> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements, subject to the satisfactory conclusion of the outstanding items.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>There is currently one unadjusted audit difference. This is an extrapolated error. Further details of the item can be found at Appendix B. We do not consider this to be material to our audit opinion. We ask the Committee to consider approving management's rationale as to why this correction has not been made and, if approved, include this in the Letter of Representation.</p> <p>Our audit identified only 1 further audit difference which our team have highlighted to management for amendment. We also highlighted a limited number of casting and consistency errors. These have been corrected during the course of our work and further details are provided at Appendix A. These adjustments have not had an impact on useable reserves.</p>
Scope and materiality	<p>In our audit plan presented at the 21 March 2016 Licensing and General Purposes Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1,341,040. We have reassessed this based on the actual results for the financial year and we have increased this amount to £1,388,000. The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>The threshold for reporting audit differences which impact the financial</p>

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statements has also increased from £67,052 to £69,400.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits: We reviewed all of the senior officer remuneration disclosures and selected a sample of Exit Packages to test. We did not identify any issues.
- Related party transactions. We reviewed the Related Party Transaction disclosure and also reviewed the Related Party transaction disclosure returns from officers and management. We did not identify any Related Party transactions outside the normal course of business.

We carried out our work in accordance with our Audit Plan.

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Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:

- IPSAS 16 and IFRS 13 – Fair Value Measurement
- Risk of management override.

The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.

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Other reporting issues

We have no other matters we wish to report.

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Control observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We note one observation and recommendation arising from our testing of Debtors.

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We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Andrew Brittain

Executive Director  
For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

### 3. Financial statements audit

#### Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p><b>IPSAS 16 and IFRS 13 – Fair Value Measurement</b></p> <p>Changes to IPSAS 16 and IFRS 13 with respect to Investment Properties and Fair Value valuation respectively have come into effect for the financial year 15-16.</p> <p>The new IPSAS 16 standard could change the classification of an Investment Property if the property is used to facilitate the delivery of services or production of goods as well as to earn rental income or capital appreciation or both.</p> <p>The Council had approximately £26 m of Investment Property as at 31/03/15 and so any re-assessment to comply with IPSAS 16 or IFRS 13 could result in a material re-classification between Investment Properties and Other Land and Buildings.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> <li>▶ Reviewing the Council's assessment of the impact of IPSAS 16 and IFRS 13 on Surplus Assets and/or Investment Properties</li> <li>▶ Reviewing the accounting treatment on any proposed adjustments as a result of the implementation of IPSAS 16 and IFRS 13;</li> <li>▶ Testing a sample of assets to ensure that any reclassified assets are accurately reflected in the financial statements of the Council</li> </ul>	<ul style="list-style-type: none"> <li>▶ We reviewed the Council's assessment of the impact of IPSAS 16 and IFRS 13 on Surplus Assets and/or Investment Properties and noted no issues.</li> <li>▶ We tested a sample of assets classified as Investment Properties and agreed with the classification.</li> <li>▶ We completed an assessment of the property valuation expert commissioned to undertake the valuation. This did not identify any issues.</li> </ul>

**Risk of management override**

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

Our approach focused on:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Reviewing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for any significant unusual transactions.
- Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

- We have not identified any material weaknesses in control or evidence of management override.
- Our testing of journal entries did not identify adjustments which were outside the normal course of business. All journals tested had an appropriate business rationale.
- The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We found no indication of management bias in these estimates.
- We have not identified any instances of inappropriate judgements being applied.
- We did not identify any significant unusual transactions.
- We did not identify any instances of incorrect classification of revenue or expenditure spend.

**Other matters**

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have no matters we wish to report.

**Control themes and observations**

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.



We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

As part of our testing of Debtors we identified an error in our existence testing of Debtors. We were unable to obtain supporting evidence for one of our samples selected. This was an old historical debtor from 1999/2000 which had not been provided against. It is good practice to regularly review old historical balances in relation to debtors and to ascertain the likelihood of recovering such money. We would recommend that a process of review is conducted to ensure that historical debts are supported by adequate documentation and suitably reviewed for recoverability. Where documentation is not available to support the existence of the Debtor then the balance should be considered for write off and suitably approved. Full details of the error with Debtors can be found in Appendix B.

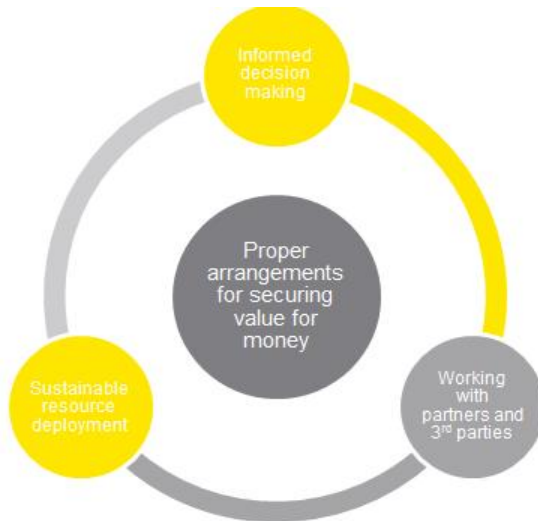
## **Request for written representations**

We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any specific representations.

## **Whole of Government Accounts**

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office. As you are under the WGA threshold we only need to complete some limited procedures and these have been completed. We have no issues from our work on the WGA.

## 4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

### Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

## Appendix A – Corrected audit differences

We agreed that we would report all adjusted differences greater than our tolerable error threshold of £1.041 m. We have currently not identified any errors greater than this threshold.

We also note the changes to disclosures below which have been agreed by management

### Disclosures

Disclosure	Description
Brexit – Post Balance Sheet Event	Given the significance of the Brexit vote and the decision of the UK to leave the EU which occurred in June 2016 we asked officers to consider the potential implications of Brexit at Rushmoor Borough Council. It was agreed that a Brexit disclosure would be included within the revised financial statements. This is categorised as a non-adjusting Post Balance Sheet event.

## Appendix B – Uncorrected audit differences

We agreed in our Audit Plan presented to the March 2016 Licensing and General Purposes Committee that we would report all unadjusted differences greater than our SAD threshold which is 5% of Gross Expenditure. This value is £69,400.

As part of our testing of Debtors we identified an error in our existence testing of Debtors. We were unable to obtain supporting evidence for one of our samples selected. This was an old historical debtor from 1999/2000 which had not been provided against. The value of the error identified was £76 k. This error was discussed with the finance team. When we extrapolated the value of the error over the population tested the value of the projected mis-statement was £183 k. This is the value of the potential error based on our testing methodology. This is over the reporting threshold for uncorrected adjustments however as the projection is in effect an estimate management have concluded that they will not adjust for this amount. We completed extended testing of the Debtors population and did not identify any other errors.

## Appendix C – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Management representation letter	Receipt of signed letter of representation	Management and Licensing and General Purposes Committee
Accounts	<ul style="list-style-type: none"> <li>· Incorporation of EY review comments on disclosure notes</li> <li>· Finalisation by management of disclosures related to Brexit</li> <li>· Approval of accounts by Licensing and General Purposes Committee</li> <li>· Accounts re-certified by RFO</li> </ul>	EY, management and Licensing and General Purposes Committee
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Any other outstanding work	Management and EY to work together to complete any outstanding work	EY and management

## Appendix D – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 21 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Licensing and General Purposes Committee on 26 September 2016.

We confirm that we have met the reporting requirements to the Licensing and General Purposes Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 21 March 2016.

## Appendix E – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	£49,838	£49,838	
Certification of claims and returns	£8,652	£8,652	
<b>Total</b>	<b>£58,490</b>	<b>£58,490</b>	

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

## Appendix F – Draft audit report

### Independent auditor's report to the members of Rushmoor Borough Council

#### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUSHMOOR BOROUGH COUNCIL**

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

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

- Rushmoor Borough Council Movement in Reserves Statement,
- Rushmoor Borough Council Comprehensive Income and Expenditure Statement,
- Rushmoor Borough Council Balance Sheet,
- Rushmoor Borough Council Cash Flow Statement and the related notes 1 to 40,
- Rushmoor Borough Council Collection Fund and the related notes 1 to 3

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

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

##### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 1, the Chief Financial Officer 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



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

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

### **Opinion on financial statements**

In our opinion the financial statements:

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

### **Opinion on other matters**

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

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

We report to you if:

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

We have nothing to report in these respects

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

### ***Authority's responsibilities***

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

### ***Auditor's responsibilities***

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

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

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

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

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

### **Conclusion**

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

### **Certificate**

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

*Andrew Brittain (Senior Statutory Auditor)*  
*for and on behalf of Ernst & Young LLP, Appointed Auditor*  
*Reading*  
*26 September 2016*

## Appendix G – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Rushmoor Borough Council's ability to continue as a going concern for the 12 months from the date of our report.
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	We have made enquiries of management, those charged with governance and internal audit. We have not become aware of any fraud or illegal acts during our audit.
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have not matters we wish to report.

Required communication	Reference
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<p>We have received all requested confirmations.</p>
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	<p>We have not identified any material instances of non-compliance with laws and regulations.</p>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Plan and Audit Results Report.</p>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<p>Annual Audit Letter/Audit Results Report.</p>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<p>Audit Plan Audit Results Report.</p>
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p>Certification Report.</p>

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