



## RUSHMOOR BOROUGH COUNCIL

### LICENSING AND GENERAL PURPOSES COMMITTEE

*at the Council Offices, Farnborough on  
Monday, 27th June, 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

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 - 6)**

To confirm the Minutes of the Meeting held on 26th May, 2016 (copy attached).

2. **EXTERNAL AUDITOR - PROGRESS REPORT - JUNE 2016 – (Pages 7 - 16)**

To receive a progress report (copy attached) from the Council's external auditor, Ernst & Young. Mr. Adrian Balmer (Manager, Ernst & Young) will be in attendance at the meeting.

3. **STATEMENT OF ACCOUNTS 2015/16 - DUTIES AND RESPONSIBILITIES – (Pages 17 - 92)**

To receive the Head of Financial Services' Report No. FIN1612 (copy attached), which sets out the Council's draft Statement of Accounts and the Committee's duties and responsibilities in respect of the Statement.

4. **TREASURY MANAGEMENT OPERATIONS 2015/16 – (Pages 93 - 108)**

To consider the Head of Financial Services' Report No. FIN1613 (copy attached), which sets out the main Treasury Management activities during 2015/16 and provides an update on the current economic conditions affecting Treasury Management decisions.

5. **INTERNAL AUDIT - AUDIT OPINION – (Pages 109 - 114)**

To consider the Audit Manager's Report No. AUD1601 (copy attached), which covers an overview of Internal Audit, a proposed reporting approach, the plan of work for 2016/17 and the Audit Opinion for 2015/16.

6. **ANNUAL GOVERNANCE STATEMENT 2015/16 – (Pages 115 - 130)**

To consider the Solicitor to the Council's Report No. LEG1608 (copy attached), which seeks approval for the Annual Corporate Governance Statement 2015/16.

## **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 Thursday, 26 May 2016 at the Council Offices, Farnborough at 7.00 pm.

### Voting Members

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

Cllr Sophia Choudhary  
Cllr Liz Corps  
Cllr B. Jones  
Cllr S.J. Masterson  
Cllr M.D. Smith  
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Councillor Alex Crawford and Councillor Les Taylor.

### 1. MINUTES

The Minutes of the Meeting held on 21st March, 2016 were approved and signed by the Chairman.

### 2. EXTERNAL AUDITOR

The Chairman welcomed to the meeting Mr. Andrew Brittain, Executive Director of Ernst & Young, the Council's external auditor. A copy of Ernst & Young's letter regarding the Annual Audit and Certification Fees 2016/17 had been circulated to the Committee, together with a copy of the company's Local Government Audit Committee Briefing.

Mr. Brittain advised the Committee of the audit and certification work that Ernst & Young proposed to undertake for the 2016/17 financial year and that the indicative fee involved would be based on costs incurred during previous years' audits.

**RESOLVED:** That the letter from Ernst & Young regarding annual audit and certification fees for the 2016/17 financial year and the company's Local Government Audit Committee Briefing be noted.

### 3. ACCOUNTING POLICIES UPDATE FOR THE YEAR 2015/16

The Committee considered the Head of Financial Services' Report No. FIN1611, which notified Members that the adoption of the concept of International Financial Reporting Standard (IFRS) 13 Fair Value for the measurement of the Council's assets and liabilities was a requirement for the year 2015/16.

It was noted that the various definitions of “fair value” in earlier accounting standards had been replaced with a uniform one that applied wherever other standards permitted or required fair values to be used or disclosed. Fair value was defined for 2015/16 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Committee was advised that IFRS 13 applied to a wide range of assets and liabilities. The new definition of current value did not specifically apply for property, plant and equipment providing service potential for an authority, and measurement of these assets had not changed from the previous Code. An exception was made in relation to surplus property assets where the basis of valuation had changed from depreciated historic cost to fair value at highest and best use. This had resulted in an impact on their individual values at 31st March, 2016, although the overall change on the balance sheet was not material.

The Committee was also advised that there had been no significant impact in relation to the introduction of IFRS 13 on the total value of the Council’s investment properties, as these assets had previously been measured at market value.

**RESOLVED:** That approval be given to the approach set out in the Head of Financial Services’ Report No. FIN1611, for the amendment to accounting policies in relation to IFRS 13 within the financial statements for 2015/16.

#### **4. LICENSING AND GENERAL PURPOSES COMMITTEE - REVISED POWERS AND DUTIES**

The Committee received the Head of Democratic and Customer Services’ Report No. DCS1603, which set out the revised powers and duties of the Committee following the amalgamation of the Licensing and General Purposes Committee and the Standards and Audit Committee with effect from the start of the 2016/17 Municipal Year.

In addition to increased powers and responsibilities under finance and audit and the monitoring of the Council’s Members’ Allowances Scheme, the Committee’s powers now included responsibility for monitoring the operation of the Members’ Code of Conduct and arrangements for dealing with any complaints against councillors in accordance with the provisions of the Localism Act, 2011. A Standards Hearing might be required following an initial assessment of a complaint that a Member of the Council had failed to comply with the Code. The procedures for a Standards Hearing were being updated to reflect that the membership of any hearing would be drawn from the Licensing and General Purposes Committee.

**RESOLVED:** That the Head of Democratic and Customer Services’ Report No. DCS1603 be noted.

#### **5. DETERMINATION OF CAB-SHARING ARRANGEMENTS FOR FARNBOROUGH INTERNATIONAL AIRSHOW 2016 (POST CONSULTATION)**

The Committee considered the Head of Environmental Health and Housing’s Report No. EHH1612, which sought approval for the implementation of a cab-sharing

scheme to run between Farnborough Station and a temporary rank to be established on Queens Gate Road during the Farnborough International Airshow 2016 (FIA16).

Following provisional approval in January, 2016, the proposals had been subject to public consultation through local advertisement in the Hampshire Independent, inviting representations between 25th March and 29th April, 2016. It was noted that no consultation comments or representations had been received in respect of the proposals.

The proposed scheme was relatively simple and straightforward and built upon planned traffic arrangements to accommodate the Airshow. Similar schemes had been implemented during all previous Airshows since 2004 with notable success.

**RESOLVED:** That approval be given to the implementation of the proposed cab-share scheme outlined in the Head of Environmental Health and Housing's Report No. EHH1612.

**NOTE:** Cr. Sophia Choudhary declared a personal and prejudicial interest in this item in respect of the involvement of family in this area of business and, in accordance with the Members' Code of Conduct, left the meeting during the discussion and voting thereon.

## **6. APPOINTMENT OF CORPORATE DIRECTOR**

The Committee was advised that, following a selection process, the Appointments Panel had appointed Mrs. Karen Edwards as a Corporate Director to take effect from 1st May, 2016. In accordance with the selection arrangements, the Committee and the Cabinet had been consulted by letter on 7th April and no objections had been raised to the appointment.

**RESOLVED:** That the action taken by the Appointments Panel in appointing Mrs. Karen Edwards as a Corporate Director from 1st May, 2016 be noted and confirmed.

## **7. APPOINTMENTS**

### **(1) Outside Bodies –**

**RESOLVED:** That the appointment of representatives to outside bodies for the 2016/17 Municipal Year, as set out in Appendix 1 (attached herewith), be approved.

### **(2) Appointments and Appeals Panel –**

**RESOLVED:** That the following Members be appointed to serve on the Appointments and Appeals Panel for the 2016/17 Municipal Year (1 Conservative: 1 Labour: 1 UKIP and a representative of the Cabinet):

Conservative Group - Cr. S.J. Masterson with Cr. A. Jackman as Standing Deputy

Labour Group - Cr. P.F. Rust with Cr. B. Jones as Standing Deputy

UKIP Group - Cr. D.M.T. Bell (Position of Standing Deputy vacant)

Cabinet Member for Corporate Services - Cr. P.G. Taylor

**(3) Elections Group –**

**RESOLVED:** That the following Members be appointed to serve on the Elections Group for the 2016/17 Municipal Year:

Cabinet Member for Concessions and Community Support – Cr. G.B. Lyon

Chairman of the Licensing and General Purposes Committee – Cr. A. Jackman

Chairman of the Borough Services Policy and Review Panel – (Cr. A.R. Newell)

Conservative Group – Cr. S.J. Masterson

Labour Group – Crs. K. Dibble and B. Jones

UKIP Group - Cr. D.M.T. Bell

**(4) Licensing Sub-Committee –**

**RESOLVED:** That the following Members be appointed to serve on the Licensing Sub-Committee for the 2016/17 Municipal Year (3 Conservative: 2 Labour: 1 UKIP):

Conservative Group - Crs. Liz Corps, S.J. Masterson and Jacqui Vosper

Labour Group - Crs. B. Jones and L.A. Taylor

UKIP Group - Vacancy

**(5) Licensing Sub-Committee (Alcohol and Entertainments) –**

**RESOLVED:** That:

- (i) the Licensing Sub-Committee (Alcohol and Entertainments) be re-established until the first meeting of the Licensing and General Purposes Committee of the 2017/18 Municipal Year, comprising any three trained members of the Licensing and General Purposes Committee; and

- (ii) the Head of Democratic and Customer Services be authorised to make appointments to the Licensing Sub-Committee (Alcohol and Entertainments) in accordance with the provisions agreed by the Committee at its meeting on 21st May, 2009.

**(6) Local Plan Members Group –**

**RESOLVED:** That the following Members be appointed to serve on the Local Plan Members Group for the Municipal Year 2016/ 17 on the basis of eight Members (5 Conservative: 2 Labour: 1 UKIP):

|   |                                     |
|---|-------------------------------------|
| Leader of the Council -                               | Cr. D.E. Clifford                   |
| Cabinet Member for Environment and Service Delivery - | Cr. M.J. Tennant                    |
| Chairman of the Development Management Committee -    | Cr. B.A. Thomas                     |
| Conservative Group -                                  | Crs. R.L.G. Dibbs and A. Jackman    |
| Labour Group -  | Crs. A.H. Crawford and C.P. Grattan |
| UKIP Group -  | Cr. D.M.T. Bell                     |

The meeting closed at 7.25 pm.

CLLR A. JACKMAN (CHAIRMAN)

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## Rushmoor Borough Council

Progress Report

June 2016





Licensing and General Purposes Committee  
Rushmoor Borough Council  
Council Offices  
Farnborough Road  
Farnborough  
Hampshire GU14 7JU

27 June 2016

Dear Committee Members

## **Audit Progress Report**

We are pleased to attach our Audit Progress Report. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations. We will bring a progress report to each Committee where we have a specific update for the Committee. For other key audit deliverables you can expect from us throughout the audit please see the timetable attached at the end of this report.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain  
Executive Director  
For and behalf of 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.psaa.co.uk](http://www.psaa.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 progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use 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..

## 2015/16 audit

### Fee letter

We issued our 2015/16 fee letter to the Council in June 2015.

### Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing planning, we will continue to meet key officers regularly to ensure the 2015/16 audit runs as smoothly as possible and identify any risks at the earliest opportunity.

### Planning and interim visit

We completed our walkthrough of the key financial systems in February and March 2016.

There are no significant matters arising from our initial planning meetings or work that we need to bring to your attention at this stage. The significant risks we identified within our plan have not changed. We also have not identified any additional significant risks since the audit plan was presented to the March 2016 Committee.

### Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress achieved regarding their annual audit plan, and the results of their testing of financial systems as part of our assessment of the Council's wider control environment. Sometimes, where it is appropriate to do so, we will undertake procedures to enable us to place reliance on their evidence of controls' testing work.

For the 15/16 audit as it is our intention to take a fully substantive approach to the audit, and therefore not rely on the testing of controls to support our audit opinion, so we will not be placing direct reliance on the controls' testing work of Internal Audit.

### Post statements visit

We have now finalised the exact dates for our audit visit, and have had early discussions on the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, was presented to the Committee in March 2016.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

## Value for money

We carried out our initial risk assessment in early 2016. We can confirm that at this stage we have not identified a significant risk in respect of value for money. Our assessment will continue throughout the audit cycle and we will update the committee should anything change in respect of our assessment of this key area.

## Local appointment of auditors

The Department of Communities and Local Government (DCLG) has decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. This will mean from 2018/19 onwards, local authorities will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years. We should also note that there is no restriction on your current auditor re-tendering for the new contract. We will be happy to take any questions you may have on this subject at the Committee meeting on 27 June.

We will continue to keep you regularly updated throughout the process as more information becomes available to us and we will of course be happy to take any further questions you may have at meetings in the future.

## Accelerating your financial close arrangements

On 17 February 2015 the Accounts and Audit Regulations 2015 were laid before Parliament, having been made (signed by the Minister) under the Local Audit and Accountability Act 2014 on 12 February 2015.

A key area of the regulations is that from the 2017/18 financial year, the timetable for the preparation and approval of accounts will be brought forward to a draft accounts deadline of 31 May and an audit deadline of 31 July. These changes provide challenges for both the preparers and the auditors of the financial statements. The good news is that with good planning, communication and joint working, those deadlines are highly attainable.

The majority of Councils are on the right trajectory having met the current reporting deadlines consistently for the last few years, the challenge now is upping the speed of that trajectory to achieve the faster deadlines. Below we have included some suggestions which will help achieve this new statutory deadline. We will continue to engage with officers to ensure that Rushmoor Borough Council is well placed to meet these new statutory deadlines.

As with any project, the key to success is in the planning, together with timely engagement and collaboration between the preparers of the financial statements and the auditors of those statements. We appreciate that each client starts from a slightly different base position. Therefore, there is no one size fits all solution. However, there are areas where consideration can be given now:

- ▶ revisit the current project timetable;
- ▶ carry out an early in-year financial hard close;
- ▶ review the format of your accounts;
- ▶ review your approach to estimates;
- ▶ review your year-end journal process;
- ▶ review the operation of your ledger system; and
- ▶ consider how fit for purpose is your current financial reporting system?

We will continue to organise regular meetings with your finance team and use this as a mechanism to discuss options for early close and our early substantive testing. We will continue to provide the committee with regular updates on our progress in this area. Discussions with your CFO on this area have been pragmatic given the changes within the Finance team in year.

We are also happy to discuss the wider process with you in more detail at the Committee meeting on 27 June.

### **Other issues of interest**

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Local Government Audit Committee Briefings, which we will continue to share with you at future Committee meetings.

## Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Audit Committee cycle.

| Audit phase                                   | EY Timetable                  | Deliverable   | Reported       | Status                                       |
|---|-------------------------------|---|----------------|--|
| High level planning                           | <b>Ongoing</b>                | Audit Fee Letter  | June 2015      | Completed                                    |
| Risk assessment and setting of scope of audit | <b>Dec 2015 - March 2016</b>  | Audit Plan  | March 2016     | Completed                                    |
| Testing of routine processes and controls     | <b>Feb-March 2016</b>         | Progress Report   | June 2016      | Completed                                    |
| Year-end audit                                | <b>August- September 2016</b> | Audit results report to those charged with governance<br>Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources)<br>Whole of Government Accounts Submission to NAO based on their group audit instructions<br>Audit Completion certificate | September 2016 | Work is planned to start during August 2016. |

**EY** | Assurance | Tax | Transactions | Advisory

## Ernst & Young LLP

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**LICENSING AND GENERAL PURPOSES  
COMMITTEE  
27TH JUNE 2016**

**HEAD OF FINANCIAL SERVICES  
REPORT NO. FIN1612**

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

#### **1 INTRODUCTION**

- 1.1 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.
- 1.2 The Accounts and Audit (England) Regulations 2015 now provide for additional requirements in relation to the certification and procedures regarding the Statement of Accounts 2015/16. The Regulations also require the Statement of Accounts 2015/16 to be available for public inspection online for a 30 working day period commencing Friday 1st July through to Thursday 11<sup>th</sup> August.
- 1.3 Additional requirements also need to be observed in respect of publication, inspection and approval. From 2017/18, the timetable of events will be accelerated to accommodate the earlier closure of the Accounts, as reported to previous meetings of the Committee. A summary of the 2015/16 requirements and the changes for future years is attached as Appendix 1.
- 1.4 CIPFA recommended practice is 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. This also affords an opportunity to remind the Committee of their duties and responsibilities in respect of the Statement.

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

- 2.1 The Statement of Accounts is an annual publication of the financial position of the Council, containing a record of the assets and liabilities of the Council and the cost of the services the Council provides.
- 2.2 It consists of:
  - An introduction and summary of significant financial issues during the year (Narrative Statement)
  - Statement of Responsibilities
  - 4 key financial statements – Movement in Reserves, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow.
  - Notes to the core financial statements – including accounting policies
  - Collection Fund and accompanying notes (Council Tax and Business Rates)
  - Auditors' Results Report

- 2.3 Members are invited to discuss the draft Statement of Accounts and their approach to considering the final version for approval in September.
- 2.4 The Narrative Statement and the Auditors' Report will be available alongside the audited statement of accounts for 2015/16 at the September meeting of the Committee

### **3 ROLES AND RESPONSIBILITIES**

- 3.1 The Committee's role is to provide effective scrutiny of the Council's financial statements. This forms part of a system of financial responsibility as illustrated in Appendix 2 to this report.

### **4 FACTORS TO CONSIDER**

- 4.1 Members should have regard to the following when considering the accounts:

Materiality – do the accounts contain all material transactions? What level of materiality has been considered? What do Members consider significant, in disclosing information to the reader of the accounts?

Transparency – are transactions transparent? For example, are income and expenditure figures shown separately and not netted off, potentially distorting understanding of the financial transactions? Is the true nature of a transaction disclosed?

Valuation – how can Members satisfy themselves that the assets and liabilities within the accounts are accurate? What methodology has been used, what accounting policies are applicable? What reliance has been placed on experts and how reasonable is that reliance?

Consistency – is reporting consistent throughout the accounts? Is it consistent with the explanatory foreword? Is it consistent with Member's knowledge of the organisation?

Completeness – how can Members be assured that the statements are complete?

Legality/Litigation – are all transactions legal and have all potential litigation that the Council is party to, been disclosed?

Classification – have assets been classified correctly?

Economic climate/Going concern principle – is the current economic climate reflected in the statements and does the Council remain a going concern – i.e. are Members aware of such significant curtailment in the Council's activities or such significant worsening of the financial position that the Council may not be able to continue to carry out its function?

Risk of error – How can Members satisfy themselves that the Statements are free from misrepresentation or misreporting?

Fraud – are Members aware of incidences of fraud? What is the risk of fraud within the Statements?

Rights and Obligations – have all rights and obligations been disclosed correctly? Are disclosures accurate? Have all transactions actually occurred? For example, does the Council legally own the assets disclosed?

- 4.2 Once these factors have been considered, Members should be satisfied that the accounts represent a true and fair view of the Council's financial position.

## **5 OTHER SOURCES OF INFORMATION AND ASSURANCE**

- 5.1 Members should consider what sources of information they can use to help them to approve the accounts and from whom they might seek assurance. A variety of sources should supply a clear and consistent message about the financial performance of the organisation. These sources might include:

- Internal audit
- The work of Licensing and General Purposes Committee in considering fraud, risk and internal audit reporting
- Statements of senior officers – Chief Executive, Directors, Chief Financial Officer, Monitoring Officer
- External audit opinion
- Other inspections – HMRC – VAT, PAYE
- Financial and Performance reports
- Members own knowledge of the affairs of the Council
- The context i.e. economic climate, interest rates, property prices, inflation
- Expert knowledge e.g. actuarial reports

## **6 CONCLUSIONS**

- 6.1 In conclusion, Members of the Committee are not required to have a detailed knowledge of every transaction within the accounts, or any detailed, technical accounting knowledge. Members should however, consider the consistency of the information being presented and ask questions to gain assurance.
- 6.2 In particular, regular attendance at the Committee by the external auditor, affords Members the opportunity to question the processes, tools and techniques used as part of the audit, in order to gain assurance over the public reporting of the Council's finances.

**AMANDA FAHEY**  
**HEAD OF FINANCIAL SERVICES/CHIEF FINANCIAL OFFICER**

**Statement of Accounts 2015/16 - Certification, Approval and Publication**

**Rushmoor's Statement of Accounts 2015/16 - To be available at 30th June 2016**

Certification by the Chief Financial Officer

The CFO must:

- (a) sign and date the Statement of Accounts
- (b) confirm that they are satisfied that the Statement presents a true and fair view of the financial position of the authority at the end of the financial year
- (c) the authority's income and expenditure for the financial year

The certification has to be signed off before the draft Statement of Accounts is made available for public inspection. The effective deadline for 2015/16 is the day before the first working day of July 2016 (i.e. 30<sup>th</sup> June 2016)

The requirement for the end of June certification effectively establishes an end-point for the drafting of the Statement of Accounts. By this date the Statement will be in such a state of completion and accuracy that the CFO is assured that it presents a true and fair view. Subsequent changes would be related to the correction of misstatements and omissions identified by the auditor or the updating of disclosures for subsequent events.

**Public Inspection Period**

For 2015/16 there is a formal requirement to publish the unaudited Statement as the focus for the public inspection period. As described above, the CFO will sign, date and certify the unaudited Statement of Accounts for 2015/16 and commence the period for the exercise of public rights. The inspection period must comprise a single period of 30 working days. For the 2015/16 Accounts, the period will start on Friday 1<sup>st</sup> July 2016 and end on Thursday 11<sup>th</sup> August 2016.

**Website publication and additional information that accompanies the Accounts (including the exercise of public rights)**

The CFO will publish the unaudited certified Statement of Accounts (which must at least include publication on the authority's website).

The unaudited 2015/16 Statement of Accounts must be accompanied by:

- (a) a CFO signed declaration that the Statement of Accounts are unaudited and may be subject to change
- (b) the Annual Governance Statement
- (c) the Narrative Statement

The CFO must also publish a statement under regulation that sets out:

- (a) the period for the exercise of public rights
- (b) details of how interested parties should give notice of an intention to inspect the accounting records and other documents
- (c) the name and address of the local auditor

- (d) the provisions regarding the rights of public inspection of documents
- (e) right to make objections at audit)

The period for the exercise of public rights then commences on the day after the requirements for the publication of the unaudited Statement of Accounts and the statement of public rights have been satisfied.

The CFO is required to notify the external auditor when the public inspection period has commenced.

### **Rights of inspection**

Any persons interested may:

- (a) inspect the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to them
- (b) make copies of all or any part of those records or documents

### **On completion of external audit (to be a date in September 2016 prior to the L & GP Committee meeting)**

The CFO must re-confirm their view that the Statement of Accounts presents a true and fair view before it is given member approval. This is an absolute requirement, and the CFO cannot rely on the original certification, even if the Statement of Accounts has not changed since the unaudited version was published.

### **Approval by Members in September 2016**

Members are required to approve the Statement of Accounts at the L & GP meeting in September 2016. Members have a duty to:

- (a) consider the Statement of Accounts
- (b) approve the Statement by a resolution
- (c) ensure that the Statement is signed and dated by person presiding at the meeting

### **Publication**

The approved the Statement of Accounts for 2015/16 must then be re-published with

- (a) the Annual Governance Statement (also approved by members in advance of the Statement of Accounts)
- (b) the Narrative Statement

The Regulations state the above as separate documents. This is important for the Statement of Accounts, as this is the document that the CFO and the auditor are required to certify as true and fair and care needs to be taken that this view is not taken to apply to any other statement.

Once the Statement of Accounts is published, the Council must:

- (a) keep copies of the Statement of Accounts, Annual Governance Statement and Narrative Statement for purchase on payment of a reasonable sum
- (b) ensures that the three Statements remain available for public access for at least five years after the date of publication

The Council must additionally publish a statement as soon as reasonably practicable after the conclusion of the audit. The statement must include

- (a) confirmation that the audit has been concluded and that the Statement of Accounts has been published
- (b) information about electors' rights of to inspect and make copies of the Statement of Accounts, the auditor's certificate of completion, the auditor's opinion on the Statement of Accounts, any public interest report relating to the authority or an entity connected with it, and any recommendation relating to the authority or an entity connected with it
- (c) details of the address and the hours during which inspection rights may be exercised

Electors have a right to inspect the documents at all reasonable times and without payment and a right to be supplied with copies on payment of a reasonable sum.

### **Annual audit letter**

When the annual audit letter is received from the auditor, the L & GP committee will meet to consider its contents as soon as reasonably practicable. The Council then must

- (a) publish the audit letter
- (b) make copies available for purchase on payment of such sum as the authority may reasonably require

### **Changes for future years**

For 2016/17, a similar set of calendar dates apply as specified in the body of this Appendix. For 2017/18, the requirements are accelerated and the principle dates become:

- (a) The CFO must sign and date the Statement of Accounts 2017/18 and provide associated information by **31<sup>st</sup> May 2017**.
- (b) External audit has to be achieved within July 2017, &
- (c) The L & GP committee must approve the Statement of Accounts 2017/18 by **31<sup>st</sup> July 2017**

**Licensing and General Purpose Committee's Roles and Responsibilities**

| <b>Body</b>                              | <b>Role</b>   | <b>Example</b>   |
|--|---|--|
| Council                                  | Major policy and strategy decisions   | <ul style="list-style-type: none"> <li>- Approval of the annual budget and financial strategy</li> </ul>   |
| Cabinet                                  | Monitors the financial position – takes decisions within the over-arching policies and strategies approved at Council | <ul style="list-style-type: none"> <li>- Monitoring of spend against budgets</li> </ul>  |
| Licensing and General Purposes Committee | <p>'Those charged with governance' – scrutiny and challenge</p> <p>Consideration of risk and governance</p>           | <ul style="list-style-type: none"> <li>- Consider accounting policies and estimation bases</li> <li>- Hearing the external auditors report</li> <li>- Consider, approve and sign the statements</li> <li>- Sign the letter of representation</li> <li>- Internal audit reporting</li> <li>- Risk and fraud</li> <li>- Corporate Annual Governance Statement</li> </ul>   |
| Chief Financial Officer                  | Personal and Statutory responsibility   | <ul style="list-style-type: none"> <li>- True and fair view</li> <li>- Provision of training</li> <li>- Preparation of statements and accompanying working papers</li> <li>- Involving Members in decision-making</li> <li>- Robust internal audit function</li> <li>- Adequate financial systems</li> </ul>   |
| Experts                                  | Technical disciplines   | <ul style="list-style-type: none"> <li>- Use of actuaries, valuers, consultants</li> </ul>   |
| External audit                           | <p>Provision of external scrutiny and challenge</p> <p>External assurance</p>   | <ul style="list-style-type: none"> <li>- Compliance with statutory requirements</li> <li>- Satisfied that proper practices have been observed in compiling the accounts</li> <li>- Express an opinion on the statements</li> <li>- Obtaining evidence on the amounts and disclosures</li> <li>- Policies are appropriate and consistently applied</li> <li>- Estimates are reasonable</li> <li>- Statements are consistent with the Narrative Statement</li> </ul> |

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**People and  
Communities**



**Prosperity**



**Place**



**Leadership**



**Good Value  
Services**

# **Draft Statement of Accounts**

## **2015 - 16**

**RUSHMOOR**  
BOROUGH COUNCIL



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**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.

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 31 March 2016.

**Amanda Fahey**

**Chief Financial Officer**

**Date:** 30th June 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<br>Fund<br>Balance<br>£'000 | Earmarked<br>GF<br>Reserves<br>£'000 | Capital<br>Receipts<br>Reserve<br>£'000 | Capital<br>Grants<br>Unapplied<br>£'000 | Total<br>Usable<br>Reserves<br>£'000 | Unusable<br>Reserves<br>£'000 | Total<br>Council<br>Reserves<br>£'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<br>£'000  | Gross Income<br>£'000 | Net Exp<br>£'000 |  | Gross Exp<br>£'000 | Gross Income<br>£'000 | Net Exp<br>£'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)              | 2,081            | <b>(Surplus) or Deficit on the Provision of Services</b>                             | 85,982             | (79,215)              | 6,767            |
| <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)          |
|   |                       | 823              |  |                    |                       | (7,577)          |
| <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              |
|   |                       | (321)            |  |                    |                       | 135              |
|   |                       | 502              | <b>Other Comprehensive Income and Expenditure</b>                                    |                    |                       | (7,442)          |
|   |                       | 2,583            | <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 | Balance Sheet                      | 31 March 2016  |       |
|---------------|------------------------------------|----------------|-------|
| £'000         |                                    | £'000          | Notes |
| 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>  |       |

Amanda Fahey

Chief Financial Officer

**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).

| <b>2014/15<br/>£'000</b> | <b>Cash Flow Statement</b>   | <b>2015/16<br/>£'000</b> |
|--------------------------|--|--------------------------|
| (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  | (5,604)                  |
| (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>(12,520)</b>          |
| (11,893)                 | Investing Activities - see Note 27   | 4,936                    |
| 404                      | Financing Activities - see Note 28   | 6,923                    |
| <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-minimis 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:

- **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 1.

#### 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 as follows:

| 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. | <p>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.</p> <p>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.</p> |

#### 5 Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Head of Financial Services on the 30th June 2016. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2016, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### 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 | <b>Adjustments between accounting basis and funding basis under regulations</b>   | <b>General Fund Balance</b> | <b>Capital Receipts Reserve</b> | <b>Capital Grants Unapplied</b> | <b>Movement in Unusable Reserves</b> |
|   | <b>For the year 2015/16</b>   | <b>£'000</b>                | <b>£'000</b>                    | <b>£'000</b>                    | <b>£'000</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<br/>£'000</b> | <b>Transfer Out 2014/15<br/>£'000</b> | <b>Transfers In 2014/15<br/>£'000</b> | <b>Balance as at 31 March 2015<br/>£'000</b> | <b>Transfer Out 2015/16<br/>£'000</b> | <b>Transfers In 2015/16<br/>£'000</b> | <b>Balance as at 31 March 2016<br/>£'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   | 0                                     | -                                     | 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<br/>£'000</b> | <b>2014/15 Gross Inc<br/>£'000</b> | <b>2014/15 Net Exp<br/>£'000</b> | <b>Other Operating Expenditure</b>                   | <b>2015/16 Gross Exp<br/>£'000</b> | <b>2015/16 Gross Inc<br/>£'000</b> | <b>2015/16 Net Exp<br/>£'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<br>Gross Exp<br>£'000 | 2014/15<br>Gross Inc<br>£'000 | 2014/15<br>Net Exp<br>£'000 | Financing and Investment<br>Income and Expenditure        | 2015/16<br>Gross Exp<br>£'000 | 2015/16<br>Gross Inc<br>£'000 | 2015/16<br>Net Exp<br>£'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<br>Gross Exp<br>£'000 | 2014/15<br>Gross Inc<br>£'000 | 2014/15<br>Net Exp<br>£'000 | Taxation and Non-specific Grant<br>Income and Expenditure | 2015/16<br>Gross Exp<br>£'000 | 2015/16<br>Gross Inc<br>£'000 | 2015/16<br>Net Exp<br>£'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>40,397</b>    | <b>2,630</b>               | <b>2,551</b>     | <b>344</b>     | <b>45,922</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<br>£'000 | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 | 2015/16<br>£'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<br>£000 | Investment Property  | 2015/16<br>£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:

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

| <b>Categories of Investment Property</b>  | <b>31st March 2016<br/>£'000</b> |
|---|----------------------------------|
| Commercial/Industrial Units               | 14,276                           |
| Land leased out for use                   | 2,031                            |
| Mobile Home Units                         | 499                              |
| Office Units                              | 1,407                            |
| Shopping Units                            | 7,968                            |
| <b>Total of all investment properties</b> | <b>26,181</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                                   | 0                             | (4)                        | 5                                    | 0                             | (3)                        | 2                                    |
| Anti Social Behaviour & Night Time Economy  | 20                                  | 0                             | (17)                       | 3                                    | 0                             | 0                          | 3                                    |
| NE Hants Drug & Alcohol Action Group (DAAG) | (1)                                 | 0                             | 0                          | (1)                                  | 0                             | 1                          | 0                                    |
| Bike Project                                | 0                                   | 4                             | 0                          | 4                                    | 0                             | 0                          | 4                                    |
| Education Programme                         | 0                                   | 20                            | (10)                       | 10                                   | 0                             | (4)                        | 6                                    |
| OP Moat                                     | 0                                   | 7                             | 0                          | 7                                    | 0                             | (5)                        | 2                                    |
| Victim Support                              | 0                                   | 26                            | (14)                       | 12                                   | 0                             | (12)                       | (0)                                  |
| LIBOR Fund                                  | 58                                  | 0                             | (27)                       | 31                                   | 0                             | (11)                       | 20                                   |
| Community Development                       | 0                                   | 0                             | 0                          | 0                                    | 20                            | (6)                        | 14                                   |
| Domestic Violence                           | 0                                   | 0                             | 0                          | 0                                    | 0                             | (11)                       | (11)                                 |
| Restorative Justice                         | 0                                   | 0                             | 0                          | 0                                    | 26                            | (3)                        | 23                                   |
| Victim Needs Project                        | 0                                   | 0                             | 0                          | 0                                    | 13                            | 0                          | 13                                   |
| Speedwatch                                  | 0                                   | 0                             | 0                          | 0                                    | 4                             | 0                          | 4                                    |
| Other                                       | 0                                   | 0                             | (4)                        | (4)                                  | 0                             | 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<br/>2015/16<br/>£000</b> | <b>Hart District Council<br/>2015/16<br/>£000</b> | <b>Total<br/>2015/16<br/>£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<br/>2015/16<br/>£000</b> | <b>Hart District Council<br/>2015/16<br/>£000</b> | <b>Total<br/>2015/16<br/>£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 £9K 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.

\*\* £22K 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: £10K Support Services and £1K Supplies & Services. The other £2K which makes up Rushmoor Borough Council's Supplies & Services figure of £3K is not a split cost of the Shared Building Control Service with Hart District Council.

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

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 £214k 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<br>£'000 | Intangible assets                                 | 2015/16<br>£'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>       | <b>Net carrying amount at end of year</b>         | <b>772</b>       |
| 2,761            | Comprising:<br>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<br>31st<br>March<br>2015<br>£'000 | 31st<br>March<br>2016<br>£'000 |  | Current<br>31st<br>March<br>2015<br>£'000 | 31st<br>March<br>2016<br>£'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                                      | 25,565                         |  | 132                                       | 1,167                          |
| <b>Total investments</b>                           | <b>22,441</b>                               | <b>27,565</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 £587k in respect of Council Tax debtors, HMRC and National Non-Domestic Rates, from the total of £4,767k reported on the balance sheet, as these are statutory levies not falling within the definition of financial instruments. £427k is also excluded in respect of Payments in Advance.

\*\*Similarly, short term creditors excludes £3,980k from the total of £8,197k reported on the balance sheet, in respect of Council Tax creditors, Housing Benefit subsidy payments and payments to the National Pool for Non-Domestic Rates. £1,130k 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<br>Liabilities:<br>Amortised<br>Cost<br>£000 | Financial Assets                 |                               | Total<br>£000 |
|--|--|----------------------------------|-------------------------------|---------------|
|  |  | Loans and<br>Receivables<br>£000 | Available<br>for Sale<br>£000 |               |
| Interest expense   | (8)  | -                                | -                             | (8)           |
| Amortisation of investment                                       | -  | (1)                              | -                             | (1)           |
| Exchange rate loss on derecognition                              | -  | (166)                            | -                             | (166)         |
| Total expense in Surplus or Deficit on the Provision of Services | (8)  | (167)                            | -                             | (175)         |
| Interest income  | -  | 202                              | 551                           | 753           |
| Total income in Surplus or Deficit on the Provision of Services  | -  | 202                              | 551                           | 753           |
| <b>Net gain/(loss) for the year</b>                              | <b>(8)</b>   | <b>35</b>                        | <b>551</b>                    | <b>578</b>    |

| 2015/16  | Financial<br>Liabilities:<br>Amortised<br>Cost<br>£000 | Financial Assets                 |                               | Total<br>£000 |
|--|--|----------------------------------|-------------------------------|---------------|
|  |  | Loans and<br>Receivables<br>£000 | Available<br>for Sale<br>£000 |               |
| Interest expense   | -  | -                                | -                             | -             |
| Amortisation of investment                                       | -  | -                                | -                             | -             |
| Exchange rate loss on derecognition                              | -  | -                                | -                             | -             |
| Total expense in Surplus or Deficit on the Provision of Services | -  | -                                | -                             | -             |
| Interest income  | -  | 157                              | 735                           | 892           |
| Total income in Surplus or Deficit on the Provision of Services  | -  | 157                              | 735                           | 892           |
| <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 | Fair Value of Financial Assets              |                                   |  | 31 March 2016 |
|---------------|---|-----------------------------------|--|---------------|
| £'000         | Input level in Fair Value Hierarchy         | Recurring Fair Value Measurements | Valuation technique used to measure        | £'000         |
| 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 | Fair Value   |  | Carrying Amount | Fair Value   |
|   | £000            | £000         |  | £000            | £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 | Fair Value    |  | Carrying Amount | Fair Value    |
|                               | £000            | £000          |  | £000            | £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<br>£'000 | Debtors  | 2015/16<br>£'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<br>£'000 | Cash and Cash Equivalents              | 2015/16<br>£'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<br>£'000 | Creditors                      | 2015/16<br>£'000 |
|------------------|--------------------------------|------------------|
| 11,434           | Central government bodies      | 2,596            |
| 3,665            | Other local authorities        | 1,826            |
| 12               | Council tax                    | 12               |
| 712              | NDR                            | 423              |
| 2,134            | Other entities and individuals | 2,210            |
| 1,113            | Income in advance              | 1,130            |
| <b>19,070</b>    | <b>Total creditors</b>         | <b>8,197</b>     |

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

| <b>2014/15<br/>£'000</b> | <b>Short term Provisions</b>            | <b>2015/16<br/>£'000</b> |
|--------------------------|---|--------------------------|
|                          | - <b>Balance at 1st April</b>           | -                        |
|                          | - Additional provision made in the year | 27                       |
|                          | - Amounts used in the year              | -                        |
|                          | - <b>Balance at 31st March</b>          | <b>27</b>                |

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**

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

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**

| <b>2014/15<br/>£'000</b> | <b>Other Long Term Liabilities</b> | <b>2015/16<br/>£'000</b> |
|--------------------------|------------------------------------|--------------------------|
| <b>45,726</b>            | Other Long Term Liabilities        | <b>43,286</b>            |

| <b>2014/15<br/>£'000</b> | <b>Long Term Borrowing</b> | <b>2015/16<br/>£'000</b> |
|--------------------------|----------------------------|--------------------------|
|                          | - Long Term Borrowing      | <b>4,121</b>             |

**22 Usable Reserves**

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

## 23 Unusable Reserves

| 2014/15<br>£'000 | Unusable Reserves                                | 2015/16<br>£'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<br>£'000 | Revaluation Reserve   | 2015/16<br>£'000 |
|------------------|---|------------------|
| <b>7,237</b>     | <b>Balance at 1st April</b>   | <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   | -                |
| -                | - Accumulated gains on asset disposals  | -                |
| (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<br>£'000 | Capital Adjustment Account  | 2015/16<br>£'000 |
|------------------|---|------------------|
| <b>65,138</b>    | Balance at 1st April  | <b>63,494</b>    |
|                  | 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

| <b>2014/15<br/>£'000</b> | <b>Available for Sale Financial Instruments Reserve</b>   | <b>2015/16<br/>£'000</b> |
|--------------------------|---|--------------------------|
| <b>8</b>                 | Balance at 1st April  | <b>329</b>               |
| 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.

| <b>2014/15<br/>£'000</b> | <b>Pensions Reserve</b>  | <b>2015/16<br/>£'000</b> |
|--------------------------|--|--------------------------|
| <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:

| <b>2014/15<br/>£'000</b> | <b>Collection Fund Adjustment Account</b>  | <b>2015/16<br/>£'000</b> |
|--------------------------|--|--------------------------|
| <b>(3,561)</b>           | Balance at 1st April   | <b>4,929</b>             |
| 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.

| <b>2014/15<br/>£'000</b> | <b>Accumulated Absences Account</b>   | <b>2015/16<br/>£'000</b> |
|--------------------------|---|--------------------------|
| <b>(123)</b>             | Balance at 1st April  | <b>(125)</b>             |
| 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<br>£'000 | Cash Flow statement - Adjustment to net surplus or deficit on the provision of services for non cash movements        | 2015/16<br>£'000 |
|------------------|---|------------------|
| 1,971            | Depreciation  | 2,068            |
| 1,030            | Impairment and downward valuations  | 1,970            |
| 190              | Amortisation  | 214              |
| 485              | Increase/(decrease) in bad debts  | 353              |
| 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                               | (946)            |
| <b>17,177</b>    | <b>Total adjustment of net surplus or deficit on the provision of services for non cash movements (as per page 5)</b> | <b>(5,604)</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<br>£'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<br>£'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<br>£'000 | Cash Flow Statement – Operating Activities | 2015/16<br>£'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<br>£'000 | Cash Flow Statement – Investing Activities  | 2015/16<br>£'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<br>£'000 | Cash Flow Statement – Financing Activities  | 2015/16<br>£'000 |
|------------------|---|------------------|
| -                | Cash receipts of short and long term borrowing  | 4,700            |
| 1,914            | Other receipts from financing activities  | 2,223            |
| (280)            | Cash payments for the reduction of the outstanding liabilities relating to finance leases | -                |
| (1,230)          | Other payments for financing activities   | -                |
| <b>404</b>       | <b>Net cash flows from financing activities</b>   | <b>6,923</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<br>£'000 | The net expenditure of the Council's Portfolios recorded in the provisional<br>outturn report for the year  | 2015/16<br>£'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<br>to management in the Analysis | 1,852            |
| 694              | Amounts included in the Analysis not included in the Comprehensive Income and<br>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<br>Allowances | Expenses<br>Allowances | Pension<br>Contribution | Total   |
|--|---------|--------------------------|------------------------|-------------------------|---------|
|  |         | £                        | £                      | £                       | £       |
| Chief Executive  | 2015/16 | 125,219                  | 720                    | 0                       | 125,939 |
|  | 2014/15 | 120,961                  | 720                    | 0                       | 121,681 |
| Corporate Director (previously<br>Director of Resources)                     | 2015/16 | 78,781                   | 300                    | 15,005                  | 94,086  |
|  | 2014/15 | 86,796                   | 635                    | 16,435                  | 103,866 |
| Corporate Director (previously<br>Director of Community and<br>Environment ) | 2015/16 | 76,374                   | 330                    | 14,506                  | 91,210  |
|  | 2014/15 | 80,741                   | 360                    | 15,387                  | 96,488  |
| Head of Financial Services and<br>Chief Finance Officer                      | 2015/16 | 65,734                   | 0                      | 13,531                  | 79,265  |
|  | 2014/15 | 67,848                   | 0                      | 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 these posts have been combined

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<br>£'000 | 2015/16<br>£'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<br>£'000 | Grant Income  | 2015/16<br>£'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<br>2015<br>£'000 | <b>The value grants and contributions that have yet to be recognised as income as they have conditions attached to them</b> |  | 31st March<br>2016<br>£'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<br>£'000 | Capital   | 2015/16<br>£'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 (supported by government financial assistance)   | -                |
|                  | - Increase in underlying need to borrowing (unsupported by government financial assistance) | 1,387            |
|                  | - Assets acquired under finance leases  | -                |
|                  | <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<br>£'000 | Leases  | 2015/16<br>£'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<br>£M                   | 2014/15<br>£M | 2015/16<br>£M                       | 2014/15<br>£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          |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services  | 3.31                            | 3.13          | 0.15                                | 0.19          |
| 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)        |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement   | (0.51)                          | 7.32          | (0.02)                              | 0.42          |
| 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<br>£M                   | 2014/15<br>£M | 2015/16<br>£M                       | 2014/15<br>£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         | 0.00                                | 0.00          |
| 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<br>£M                   | 2014/15<br>£M | 2015/16<br>£M                       | 2014/15<br>£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<br>£M                   | 2014/15<br>£M | 2015/16<br>£M                       | 2014/15<br>£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**

|   | <b>31st March 2016<br/>£000</b> | <b>31st March 2015<br/>£000</b> | <b>31st March 2014<br/>£000</b> |
|---|---------------------------------|---------------------------------|---------------------------------|
| 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<br>% | 31st March 2015<br>% | 31st March 2014<br>% |
|---|----------------------|----------------------|----------------------|
| 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 | 31st March 2015 | 31st March 2014 |
|---|-----------------|-----------------|-----------------|
| 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<br>% | 31st March 2015<br>% | 31st March 2014<br>% |
|------------------|----------------------|----------------------|----------------------|
| 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<br>£M | Decrease in Assumption<br>£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<br>31st March<br>2016 | Historical<br>experience<br>of default | Historical<br>experience<br>adjusted<br>for market<br>conditions<br>31st March<br>2016 | Estimated<br>maximum<br>exposure<br>31st March<br>2016 | Estimated<br>maximum<br>exposure<br>31st March<br>2015 |
|---------------------------|-----------|---------------------------------|--|--|--|--|
|                           |           | £'000<br>(A)                    | %<br>(B)                               | %<br>(C)   | £'000<br>(A x C)                                       | £'000<br>(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 its 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<br>2015<br>£'000 | 31st March<br>2016<br>£'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<br>2015<br><b>£'000</b> | 31st March<br>2016<br><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<br>2015<br><b>£'000</b> | 31st March<br>2016<br><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>0</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<br>£'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  | 0                  | 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.

| Tax Band            | Discounted<br>Equivalent<br>Dwellings | Weighting | Band D<br>Equivalent |
|---------------------|---------------------------------------|-----------|----------------------|
| 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<br>£'000 | Collection Fund - Provisions for bad or doubtful debts | 2015/16<br>£'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.

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June 2016

## AGENDA ITEM NO. 4

**LICENSING & GENERAL PURPOSES  
COMMITTEE  
27 JUNE 2016**

**HEAD OF FINANCIAL SERVICES  
REPORT NO. FIN1613**

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

#### **1 INTRODUCTION**

- 1.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that members be informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing best practice in accordance with CIPFA's recommendations.
- 1.2 The Council has invested substantial sums of money and is therefore, exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.
- 1.3 This report sets out the main Treasury Management activities during 2015/16 and provides an update on the current economic conditions affecting Treasury Management decisions. Appendix A shows the actual prudential indicators relating to Capital Financing and treasury activities for 2015/16 and compares these to the indicators set in the Annual Treasury Management Strategy for the year, approved by Council on 26 February 2015.

#### **2 TREASURY MANAGEMENT ADVICE**

- 2.1 The Council continued to engage the services of Arlingclose for independent treasury advice during the year 2015/16. Arlingclose provide specialist treasury support to 25% of UK local authorities. They provide a range of treasury management services including technical advice on debt and investment management and long-term capital financing. They advise on investment trends, developments and opportunities consistent with the Council's Treasury Management Strategy.
- 2.2 With the exception of pooled funds all investment activity is carried out by the Council's own treasury team with advice from Arlingclose, as outlined in paragraph 2.1 above, and having due regard to information from other sources such as the financial press and credit-rating agencies.
- 2.3 Pooled funds are managed at the discretion of the external fund managers associated with each fund. It should however be noted that whilst the funds

are externally managed, the decision as to whether to invest lies solely with the Council in accordance with its Treasury Management Strategy.

- 2.4 The needs of the Council's treasury management staff for training in investment management are assessed on an ongoing basis and as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. During 2015/16, staff attended relevant workshops provided by Arlingclose.

### 3 ECONOMIC BACKGROUND

- 3.1 **Growth and Inflation:** The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October of that year. CPI picked up to 0.3% year/year in February 2016, but this was still well below the Bank of England's 2% inflation target.
- 3.2 **Employment:** The labour market continued to improve through 2015/16 showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.
- 3.3 **UK Monetary Policy:** The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn.

In its Inflation Reports and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles. Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%.

Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year. However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

- 3.4 **Global:** The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads.

As the global economy entered 2016 there was high uncertainty about growth and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

- 3.5 **Market reaction:** From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.
- 3.6 **Interest Rate Forecast:** The view from Arlingclose is that the global outlook is weak and uncertain and risks remain weighted to the downside. The lack of inflationary pressures in 2016 and a lower growth profile than previously expected may push back a rise in UK Bank Rate to Q2 2018. Arlingclose estimates that when the rise in rates does occur it will eventually reach a 'normal' of between 2 and 3%.

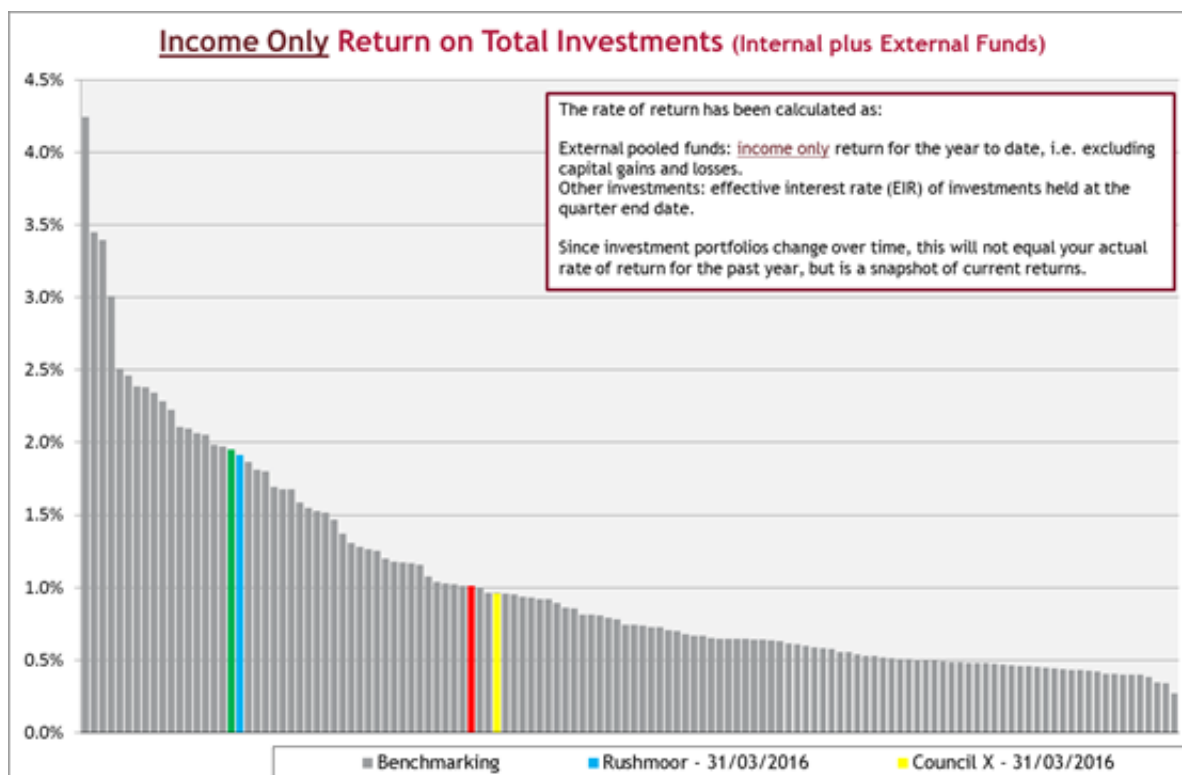
## 4 **BORROWING ACTIVITY IN 2015/16**

- 4.1 The Council borrowed £4.7m from the M3 Local Enterprise Partnership during 2015/16. Capital expenditure for Activation Aldershot directly related to this borrowing amounted to £1.4m. This event therefore meant that the Council's capital financing requirement as at 31<sup>st</sup> March 2016 became £1.4m compared to zero for previous financial years. The remainder of the 2015/16 capital programme was funded from grants, other revenue contributions and capital receipts.

## 5 **INVESTMENT ACTIVITY IN 2015/16**

- 5.1 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. The total income yield return on the Council's investments amounted to 1.92% for the financial year 2015/16 excluding capital gains and losses. The following graph has been produced by Arlingclose and shows the Council's 2015/16 return on its total investment portfolio excluding capital gains and losses. The Council ranks well when

benchmarked against their other local authority clients. Highlighted on the graph are three other non-metropolitan districts with a similar size portfolio to Rushmoor showing returns of one marginally higher and two at or just below 1%:



For 2015/16 the Council continued to use secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits. Details of the Council's investment activity together with returns generated during 2015/16 are outlined as follows:

## 5.2 **Pooled Funds** - the Council's pooled funds have experienced some variations in performance during the year 2015/16.

Pooled Funds Capital Growth/Losses – Aggregation of the Council's pooled funds resulted in an overall net reduction in fair value for the year 2015/16 of around £150,000, although this net reduction is relatively modest compared to the overall investment sum (an aggregate reduction of 0.75%). The significant exceptions within this group are CCLA showing exceptional growth of 16% since acquisition, but offset by a capital reduction for the UBS Multi Asset Fund which has declined by 7% since acquisition. This group of investments are long term (3-5 year window) and monitoring of the capital value continues to be made on a monthly basis.

Pooled Fund Income Returns – The income returned by fund for the period to 31<sup>st</sup> March 2016 is analysed below:

- Payden & Rygel's Sterling Reserve Fund - £5 million investment. The Fund seeks to provide capital security, liquidity and income through investment in Sterling denominated investment-grade debt securities. The fund's performance for the 12 months to 31<sup>st</sup> March 2016 is 0.88% income return.
- CCLA's Local Authorities' Mutual Investment Trust - £5 million investment. The Council's total investment in this UK property fund is £5 million. The fund has returned 5.62% income during 2015/16.
- Aberdeen Absolute Return Bond Fund - £3 million investment. This fund aims for a target total return of 3-5% from a combination of investment income or capital appreciation. The fund's performance for 2015/16 is a 2.23% income return.
- UBS Multi-Asset Income Fund - £5 million investment. This Fund follows a strategy of reducing volatility exposure levels by spreading investments across a diversified range of asset classes. This fund has generated a 3.57% income return for the year.
- Threadneedle Strategic Bond Fund - £2 million investment. . The fund aims to provide income and capital appreciation through investment grade and high yield bonds. This fund has generated a 4.30% income return during the period to 31<sup>st</sup> March 2016.

Additional information is contained in Appendix B.

5.3 **Bonds** - debt instruments in which an investor lends money for a specified period of time at a fixed rate of interest. **Covered bonds** are conventional bonds that are backed by a separate group of loans (usually prime residential mortgages). When the covered bond is issued, it is over collateralised, with the pool of assets being greater than the value of the bond. During the year the Council invested in the following covered bonds:

- |                |   |      |
|----------------|---|------|
| • £1 million   | Bank of Scotland at a fixed rate of 0.957%          | Bond |
| • £1 million   | Yorkshire Building Society at a fixed rate of 1.33% | Bond |
| • £2 million   | Leeds Building Society at a fixed rate of 1.47%     | Bond |
| • £1 million   | Clydesdale Bank at a fixed rate of 0.54%            | FRN  |
| (matured)      |   |      |
| • £1.3 million | Rabobank Nederland at a fixed rate of 0.681%        | FRN  |
| (matured)      |   |      |

5.4 **Other Investments** – During the year the Council further diversified its portfolio by investing the following in institutions other than UK banks:

- £1 million at a fixed rate of 0.54% for 100 days with National Counties Building Society
- £1 million at a fixed rate of 0.55% for 100 days with National Counties Building Society

- £1 million at a fixed rate of 0.54% for 100 days with Mansfield Building Society
- £2 million at a fixed rate of 0.66% for 6 months with Nationwide Building Society
- £1 million at a fixed rate of 0.55% for 100 days with Cumberland Building Society
- £2 million at a fixed rate of 1% for 2 years with Dumfries and Galloway Council

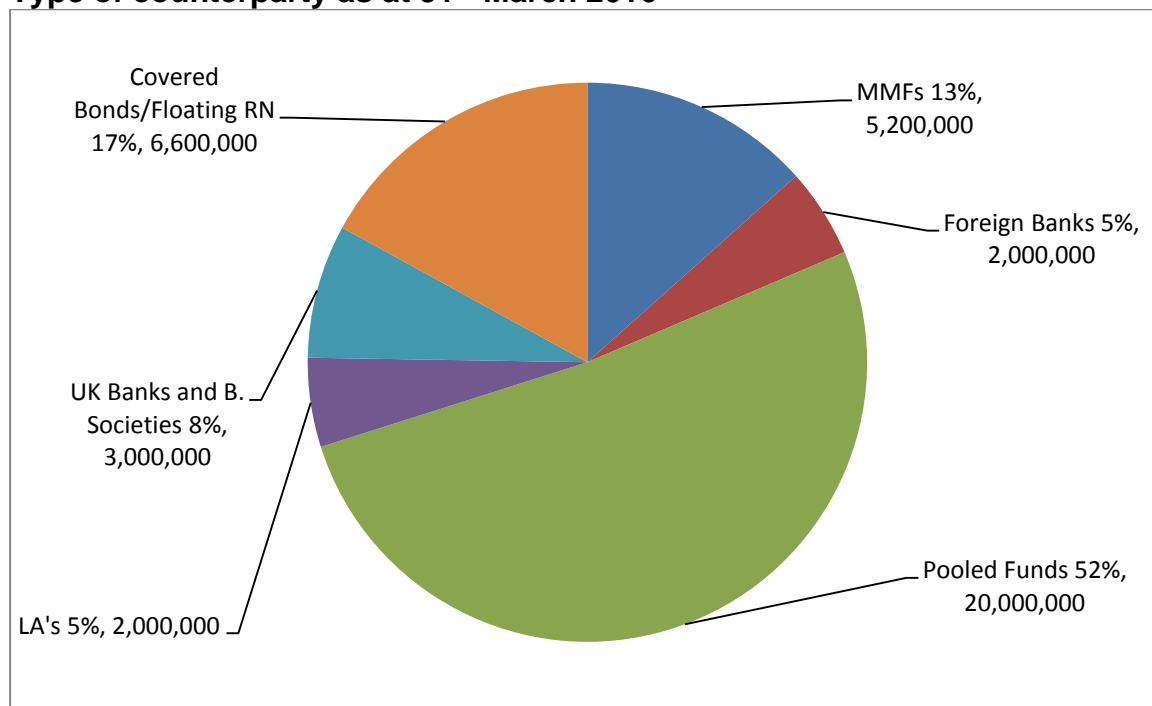
With the exception of the Dumfries and Galloway Council deposit, these all matured in 2015/16)

5.5 The table below summarises deposit/investment activity during the year to 31<sup>st</sup> March 2016. Overall, there was a net decrease of £8.4m invested during the period.

| <b>Investment Counterparty</b>                | <b>Balance on 31/03/15 £m</b> | <b>Investments Made £m</b> | <b>Maturities/ Investments Sold £m</b> | <b>Balance on 31/03/16 £m</b> | <b>Avg Rate % and Avg Life (yrs)</b>  |
|---|-------------------------------|----------------------------|--|-------------------------------|---------------------------------------|
| <i>UK Local Authorities</i>                   | 2.0                           | 2.0                        | 2.0                                    | 2.0                           | 1.0% - 2 years                        |
| <i>UK Banks and Building Societies:</i>       |                               |                            |  |                               |                                       |
| Short-term                                    | 12.0                          | 25.0                       | 34.0                                   | 3.0                           | (0.51%-0.80%)                         |
| Long-term                                     | 3.0                           | -                          | 3.0                                    | -                             | 0.95%                                 |
| <i>Foreign Banks</i>                          | 4.3                           | 8.0                        | 10.3                                   | 2.0                           | (0.40%-0.59%)                         |
| <i>Covered Bonds/Floating Rate Notes</i>      | 2.0                           | 6.7                        | 2.1                                    | 6.6                           | (0.54%-1.47%)& LIBOR+0.27bp - 1.3 Yrs |
| <i>AAA-rated Money Market Funds</i>           | 3.9                           | 1.3                        | -                                      | 5.2                           | Varies daily – average 0.42%          |
| <i>Pooled Funds:</i>                          |                               |                            |  |                               |                                       |
| • Payden                                      | 5.0                           |                            |  | 5.0                           | 0.88                                  |
| • CCLA  | 5.0                           |                            |  | 5.0                           | 5.62                                  |
| • Aberdeen Absolute                           | 3.0                           |                            |  | 3.0                           | 2.23                                  |
| • UBS   | 5.0                           |                            |  | 5.0                           | 3.57                                  |
| • Threadneedle                                | 2.0                           |                            |  | 2.0                           | 4.3                                   |
| <b>TOTAL INVESTMENTS</b>                      | 47.2                          | 43.0                       | 51.4                                   | 38.8                          |                                       |
| <i>Increase/ (Decrease) in Investments £m</i> |                               |                            |  | (8.4)                         |                                       |

5.6 The following charts illustrate the spread of investments by counterparty and maturity analysis. These illustrate continued diversity and the continued move towards longer-term investments within our portfolio.

### Type of counterparty as at 31<sup>st</sup> March 2016



| Maturity Analysis as at 31st March 2016 | Amount invested £ | %          |
|---|-------------------|------------|
| Instant                                 | 6,200,000         | 16         |
| 0-3 months                              | 1,000,000         | 3          |
| 3-6 months                              | 3,000,000         | 8          |
| 6-9 months                              | 1,100,000         | 3          |
| 9-12 months                             | -                 | 0          |
| > 1 year                                | 27,500,000        | 71         |
| <b>Total for all duration periods</b>   | <b>38,800,000</b> | <b>100</b> |

## 6 TREASURY MANAGEMENT INDICATORS

6.1 The Treasury Management Code requires that local authorities set a number of indicators for treasury management performance, which have been set out below at paragraphs 6.5 to 6.7. The Council has also adopted a voluntary measure for credit risk as set out in paragraph 6.2

6.2 **Credit Risk (Credit Score Analysis):** Counterparty credit quality is assessed and monitored by reference to credit ratings. Credit ratings are supplied by rating agencies Fitch, Standard & Poor's and Moody's. Arlingclose assign values between 1 and 26 to credit ratings in the range AAA to D, with AAA being the highest credit quality (1) and D being the lowest (26). Lower scores mean better credit quality and less risk.

6.3 The advice from Arlingclose is to aim for an A-, or higher, average credit

rating, with an average score of 7 or lower. This reflects the current investment approach with its focus on security. The scores are weighted according to the size of our deposits (value-weighted average) and the maturity of the deposits (time-weighted average).

- 6.4 The table below summarises the Council's internal investment credit score for deposits during the year to 31<sup>st</sup> March 2016. The Council's scores fall comfortably within the suggested credit parameters. This represents good credit quality deposits on the grounds of both size and maturity. The improved credit risk scores during the year reflect the increasing diversity within the Council's investment portfolio.

| Date       | Value Weighted Average – Credit Risk Score | Value Weighted Average – Credit Rating | Time Weighted Average – Credit Risk Score | Time Weighted Average – Credit Rating |
|------------|--|--|---|---------------------------------------|
| Q4 2014/15 | 4.68                                       | A+                                     | 2.77                                      | AA                                    |
| Q1 2015/16 | 4.57                                       | A+                                     | 2.28                                      | AA+                                   |
| Q2 2015/16 | 4.03                                       | AA-                                    | 1.77                                      | AA+                                   |
| Q3 2015/16 | 3.68                                       | AA-                                    | 1.50                                      | AAA                                   |
| Q4 2015/16 | 3.02                                       | AA-                                    | 1.50                                      | AAA                                   |

- 6.5 **Interest Rate Exposure:** This indicator is set to monitor the Council's exposure to the effects of changes in interest rates. The indicator calculates the relationship between the Council's net principal sum outstanding on its borrowing to the minimum amount it has available to invest. The upper limits on fixed and variable rate interest rate exposures expressed as the amount of net principal borrowed is:

|  | 2015/16 Approved Limit | 2015/16 Actual |
|--|------------------------|----------------|
| Upper limit on fixed interest rate exposure    | -£27m                  | -£13m          |
| Upper limit on variable interest rate exposure | -£19m                  | £26m           |

It is expected that for most councils the interest rate exposure calculation would result in a positive figure. As the Council has more funds available to invest than it intends to borrow, the calculation has resulted in a negative figure.

- 6.6 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

|                                | Upper | Lower | 2015/16<br>Actual<br>Performance |
|--------------------------------|-------|-------|----------------------------------|
| Under 12 months                | 100%  | 0%    | 12%                              |
| 12 months and within 24 months | 100%  | 0%    | 14%                              |
| 24 months and within 5 years   | 100%  | 0%    | 55%                              |
| 5 years and within 10 years    | 100%  | 0%    | 19%                              |
| 10 years and above             | 100%  | 0%    | -                                |

The Council borrowed £4.7m from the M3 Local Enterprise Partnership. The above table demonstrates the elements of principal repayment that arise from the sum borrowed expressed as a percentage of the original amount borrowed.

- 6.7 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. Performance against the limits on the total principal sum invested to final maturities beyond the period end is:

|   | 2015/16<br>Approved<br>Limit | 2015/16<br>Actual<br>Performance |
|---|------------------------------|----------------------------------|
| Limit on principal invested beyond year end at any one time | £50m                         | £28m                             |

## 7 BUDGETED INCOME & OUTTURN

- 7.1 The Council's revised estimate regarding investment yield outturn for 2015/16 was £849,000 for the year. The actual yield in the General Fund Revenue Account was £894,000, resulting in a favourable variance of £45,000.

## 8 CONCLUSIONS

- 8.1 The Council's treasury team continued to concentrate on the security of investments taking due regard for the returns available. Continued low interest rates throughout the financial year coupled with a lack of suitable counterparties with whom to invest made the activity continued to make the activity challenging. However, overall investment income outperformed the original budget by around £94k and contributed £894k to the Council's General Fund during 2015/16.

- 8.2 All treasury management activity during 2015/16 was carried out in accordance with the Annual Treasury Management Strategy and complied with the treasury and prudential indicators set out in that report, and with the Treasury Management Code of Practice.

## **9 RECOMMENDATIONS**

- 9.1 Members are requested to note the contents of the report in relation to the activities carried out during 2015/16.

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

## APPENDIX A

### 1.1 Prudential Indicators

**Estimates of Capital Expenditure:** The Council's planned capital expenditure and financing may be summarised as follows.

| <b>Capital Expenditure and Financing</b> | <b>2015/16 Revised £m</b> | <b>2015/16 Actual £m</b> | <b>2016/17 Estimate £m</b> | <b>2017/18 Estimate £m</b> |
|--|---------------------------|--------------------------|----------------------------|----------------------------|
| General Fund                             | 9.340                     | 3.991                    | 8.802                      | 5.317                      |
| <b>Total Expenditure</b>                 | <b>9.340</b>              | <b>3.991</b>             | <b>8.802</b>               | <b>5.317</b>               |
| Capital Receipts                         | 5.780                     | 0.835                    | 5.477                      | 3.470                      |
| Capital Grants & Contributions           | 2.401                     | 0.653                    | 2.575                      | 1.097                      |
| Revenue                                  | 1.159                     | 1.116                    | 0.750                      | 0.750                      |
| Borrowing                                | 0.000                     | 1.387                    | 0.000                      | 0.000                      |
| <b>Total Financing</b>                   | <b>9.340</b>              | <b>3.991</b>             | <b>8.802</b>               | <b>5.317</b>               |

**Estimates of Capital Financing Requirement:**

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

| <b>Capital Financing Requirement</b> | <b>31.03.16 Revised £m</b> | <b>31.03.16 Actual £m</b> | <b>31.03.17 Estimate £m</b> |
|--------------------------------------|----------------------------|---------------------------|-----------------------------|
| General Fund                         | 3.000                      | 1.387                     | 2.570                       |
| <b>Total CFR</b>                     | <b>3.000</b>               | <b>1.387</b>              | <b>2.570</b>                |

During 2015/16, the Council made use of a revolving infrastructure fund from the Local Enterprise Partnership (M3 LEP). This will not give rise to any minimum revenue provision charges into the General Fund as the annual instalments will be funded from capital receipts received from the developer.

The Council therefore now carried a capital financing requirement within the terms of the Prudential Code.

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

## APPENDIX A

| <b>Debt</b>       | <b>31.03.16<br/>Revised<br/>£m</b> | <b>31.03.16<br/>Actual<br/>£m</b> | <b>31.03.17<br/>Estimate<br/>£m</b> |
|-------------------|------------------------------------|-----------------------------------|-------------------------------------|
| Borrowing         | 0.000                              | 4.700                             | 0.000                               |
| <b>Total Debt</b> | <b>0.000</b>                       | <b>4.700</b>                      | <b>0.000</b>                        |

The information above refers to the use of a revolving infrastructure fund from the Local Enterprise Partnership (M3 LEP).

**Operational Boundary for External Debt:** The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

| <b>Operational<br/>Boundary</b> | <b>2015/16<br/>Revised<br/>£m</b> | <b>2015/16<br/>Actual<br/>£m</b> | <b>2016/17<br/>Estimate<br/>£m</b> |
|---------------------------------|-----------------------------------|----------------------------------|------------------------------------|
| Borrowing                       | 5.0                               | 4.7                              | 5.0                                |
| Other long-term liabilities     | 0.0                               | 0.0                              | 0.0                                |
| <b>Total Debt</b>               | <b>5.0</b>                        | <b>4.7</b>                       | <b>5.0</b>                         |

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

| <b>Authorised Limit</b>     | <b>2015/16<br/>Revised<br/>£m</b> | <b>2015/16<br/>Actual<br/>£m</b> | <b>2016/17<br/>Estimate<br/>£m</b> |
|-----------------------------|-----------------------------------|----------------------------------|------------------------------------|
| Borrowing                   | 10.0                              | 4.7                              | 10.0                               |
| Other long-term liabilities | 0.0                               | 0.0                              | 0.0                                |
| <b>Total Debt</b>           | <b>10.0</b>                       | <b>4.7</b>                       | <b>10.0</b>                        |

## APPENDIX A

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

| <b>Ratio of Financing Costs to Net Revenue Stream</b> | <b>2015/16 Revised %</b> | <b>2015/16 Actual %</b> | <b>2016/17 Estimate %</b> | <b>2017/18 Estimate %</b> |
|---|--------------------------|-------------------------|---------------------------|---------------------------|
| General Fund  | -7.5                     | -8.0                    | -7.5                      | -8.2                      |

**Incremental Impact of Capital Investment Decisions:** This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

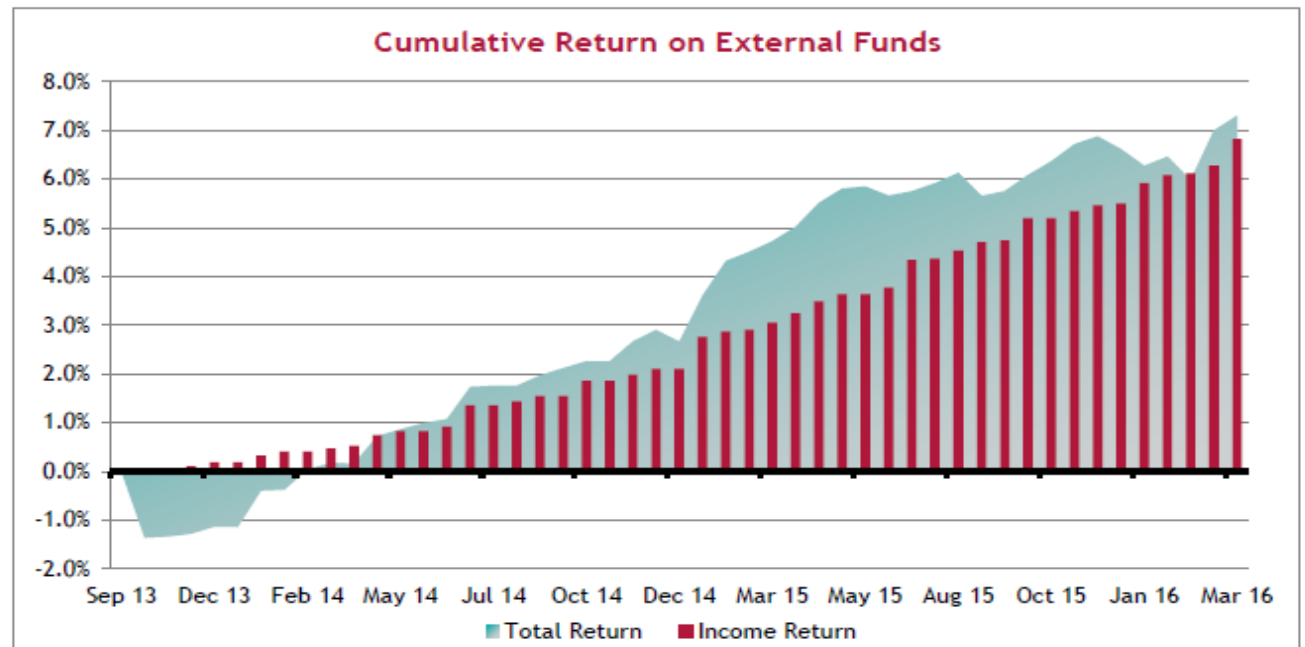
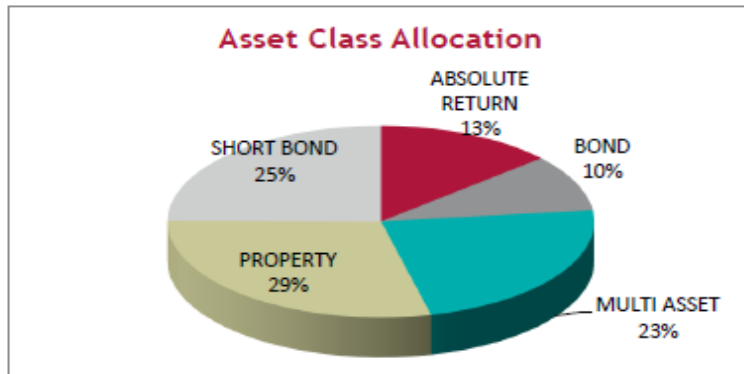
| <b>Incremental Impact of Capital Investment Decisions</b> | <b>2015/16 Revised £</b> | <b>2015/16 Actual £</b> | <b>2016/17 Estimate £</b> | <b>2017/18 Estimate £</b> |
|---|--------------------------|-------------------------|---------------------------|---------------------------|
| General Fund - increase in annual band D Council Tax      | 1.10                     | 0.60                    | 2.53                      | 3.92                      |

**Adoption of the CIPFA Treasury Management Code:** The prudential indicator in respect of treasury management is that the Council adopt CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The aim is to ensure that treasury management is led by a clear and integrated forward treasury management strategy, with recognition of the existing structure of the Council's borrowing and investment portfolios. The revised edition of the Code (November 2011) was adopted by the Council on 20<sup>th</sup> February 2014.

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## APPENDIX B

| EXTERNAL FUND PORTFOLIO                |                 |                            |                 | RUSHMOOR         |                      |                      | From:          | 17/09/2013    | To:          | 31/03/2016 |
|--|-----------------|----------------------------|-----------------|------------------|----------------------|----------------------|----------------|---------------|--------------|------------|
| FUND NAME                              | ASSET CLASS     | No of Units Held in Period | Current Value £ | Capital Growth £ | Dividends Received £ | Holding Period (yrs) | Capital Return | Income Return | Total Return | Volatility |
| PAYDEN & RYSEL STERLING RESERVE FUND   | SHORT BOND      | 495,363                    | 5,000,297       | 297              | 122,900              | 2.5                  | 0.01%          | 2.46%         | 2.46%        | 0.3%       |
| <b>Cash Plus and Short Bond Funds</b>  |                 |                            | 5,000,297       | 297              | 122,900              | 2.5                  | 0.01%          | 2.46%         | 2.46%        | 0.3%       |
| ABERDEEN ABSOLUTE RETURN BOND FUND     | ABSOLUTE RETURN | 2,857,143                  | 2,714,571       | -285,429         | 111,923              | 2.0                  | -9.51%         | 3.73%         | -5.78%       | 1.8%       |
| CCLA - LAMIT PROPERTY FUND             | PROPERTY        | 2,012,752                  | 5,803,972       | 803,972          | 615,312              | 2.3                  | 16.08%         | 12.31%        | 28.39%       | 6.4%       |
| THREADNEEDLE STRATEGIC BOND FUND       | BOND            | 1,979,806                  | 1,936,250       | -63,750          | 108,089              | 1.3                  | -3.19%         | 5.40%         | 2.22%        | 2.5%       |
| UBS MULTI ASSET INCOME FUND            | MULTI ASSET     | 9,502,339                  | 4,640,838       | -359,162         | 378,376              | 1.8                  | -7.18%         | 7.57%         | 0.38%        | 3.9%       |
| <b>Bond, Equity and Property Funds</b> |                 |                            | 15,095,631      | 95,632           | 1,213,701            | 1.9                  | 0.64%          | 8.09%         | 8.73%        | 2.1%       |
| <b>GRAND TOTAL</b>                     |                 |                            | 20,095,928      | 95,929           | 1,336,600            | 2.1                  | 0.48%          | 6.68%         | 7.16%        | 1.6%       |
| Annualised Returns:                    |                 |                            |                 |                  |                      |                      | -0.32%         | 3.27%         | 2.95%        |            |





## AGENDA ITEM NO. 5

**LICENSING AND GENERAL PURPOSES COMMITTEE  
27TH JUNE 2016**

**AUDIT MANAGER  
REPORT NO. AUD1601**

### **INTERNAL AUDIT – AUDIT OPINION**

#### **1 INTRODUCTION**

1.1 This is the first Internal Audit report presented to the Licensing and General Purpose Committee since the merger of Standards and Audit Committee and Licensing and General Purpose Committee. This report will cover:

- Overview of Internal Audit
- Proposed reporting approach
- The plan of work for 2016/17
- The Audit Opinion for 2015/16

#### **2 OVERVIEW OF INTERNAL AUDIT**

##### **2.1 What is Internal Audit?**

‘Internal auditing is an independent objective assurance and consulting activity designed to add value and improve an organisation. To also help accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’ (PSIAS 2016)

##### **2.2 Background to internal audit set up in Rushmoor**

Internal audit consists of the Audit Manager, Nikki Fowler and the Internal Auditor, Nikki Hughes. Additional support is also obtained from contractors for some specialist areas such as IT specific audits. Currently while the Internal Audit Manager is working on corporate projects contractors are being used to carry out some of the standard financial audits. The Corporate Investigations Team provide coverage and support in the anti-fraud and corruption work.

#### **3 PROPOSED REPORTING APPROACH FOR 2016/17**

3.1 The proposed reporting arrangements for auditing matters for 2016/17 is set out in the table below (3.2) Member views as to the content and any other views about the way in which items are brought forward for consideration are welcomed.

### 3.2

| <b>Date of meeting</b> | <b>Proposed item</b>   |
|------------------------|--|
| June 2016              | Audit opinion of the overall controls within the Council for 2015/16.  |
| September 2016         | Update for the Committee on the audits completed from March 2016 – August 2016                                 |
| January 2017           | Update for the Committee on the audits completed from September 2016 – December 2016.                          |
| March 2017             | Reporting of the Annual Audit Plan for 17/18 - Committee to scrutinise the plan and agree the areas to review. |

## 4 PLAN OF INTERNAL AUDIT WORK FOR 2016/17

4.1 The internal audit plan of work for 2016/17 was agreed by the Standards and Audit Committee on 14th March 2016.

4.2 For this Committee's information, when producing the annual audit plan a range of issues are taken into consideration which include:

- External Audit requirements
- Risk Assessments of activities
- Corporate initiatives
- Align with corporate priorities
- Skills available to undertake the audit
- Requests from Services
- Issues/ views raised by Committee Members

In addition to the above, the audit plan for 2016/17 focuses on:

- Meeting the needs of the Council's External Auditors, Ernst and Young, and building on the liaison from 2015/16
- Support of organisational change and development
- Corporate governance, such as high value and high transaction areas
- Links to the 8 Point Plan

4.3 Attached as appendix A is a list of the audit work planned for 2016/17. Links to the 8-Point Plan have been noted next to the relevant audits. It also includes days allocated to support the delivery of corporate projects including Co-Location and Channel Shift.

## 5 AUDIT OPINION FOR 2015/16

5.1 The Public Sector Internal Audit Standards (PSIAS) 2013 (and amended 2016) requires the Head of Internal Audit to provide an annual opinion of the Council's system controls. The opinion is not absolute, but provides reasonable assurance that there are no major weaknesses in the systems audited.

5.2 Factors for the Committee to consider are:

- Is the opinion based on sufficient evidence, which supports the opinion given?
- Are the reasons for an unfavourable overall opinion clearly stated?

5.3 The overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is appropriate. This is 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 were agreed by Senior Management and are being introduced. Once implemented, they will further improve the Council's overall control environment.

5.4 A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme is also required to be reported. Work is currently underway to update this and the results will be reported within 2016/17.

## **6 Action and endorsement required by the Committee**

6.1 The Committee is requested to:

- (i) note the content of the report; and
- (ii) endorse the proposed meeting and reporting cycle for 16/17, as set out in table 3.2 above.

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

Contact Details: 01252 398812  
[Nikki.fowler@rushmoor.gov.uk](mailto:Nikki.fowler@rushmoor.gov.uk)

| INTERNAL AUDIT WORK 2014/15   |            |
|---|------------|
| Audit Work  | Audit Days |
| Significant financial audits as directed by external audit                        |            |
| Treasury Management   | 15         |
| Cash receipting   | 15         |
| Housing Benefits and Council tax support  | 15         |
| Council Tax Billing and Collection  | 15         |
| Council Tax and NNDR Recovery   | 15         |
| Capital Accounting - Activation Aldershot   | 20         |
| System/Value For Money (VFM) audits/connection to 8-Point Plan                    |            |
| Heating Contract ( <i>Point 7</i> )   | 20         |
| Prospect Community Centre (brought forward from previous year) ( <i>Point 4</i> ) | 20         |
| New banking process ( <i>Point 2</i> )  | 5          |
| Maintenance team follow up  | 5          |
| Planning Enforcement follow up  | 1          |
| Car Park machine income off street parking ( <i>Point 2 &amp; 3</i> )             | 25         |
| Building Control – joint service with Hart Council ( <i>Point 2 &amp; 3</i> )     | 25         |
| Petty cash/ procurement cards ( <i>Point 5 &amp; 7</i> )                          | 10         |
| Specialist Information Technology Audits  |            |
| Car Park system follow up   | 1          |
| Express system follow up  | 1          |
| IT Security Audit – including the new firewall                                    | 10         |
| Server virtualisation   | 10         |
| Anti-Fraud and Corruption work  |            |
| Her Majesty's Revenue & Customs (HMRC) follow up                                  | 2          |
| Financial grants follow up  | 2          |
| Review of corporate governance statement  | 1          |
| Constitution (brought forward from previous year)                                 | 20         |
| Review/ update corporate governance policies                                      | 2          |

| Corporate Projects – Allocation of Audit Manager’s time to enable the delivery of these projects |     |
|--|-----|
| Channel Shift ( <i>Point 2</i> )   | 15  |
| Co-location 2 ( <i>Point 3 &amp; 4</i> )   | 121 |
| Corporate Governance   | 30  |
| Action Learning Sets   | 10  |

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## AGENDA ITEM NO. 6

**LICENSING AND GENERAL PURPOSES  
COMMITTEE  
27TH JUNE 2016**

**SOLICITOR TO THE COUNCIL  
REPORT NO. LEG1608**

### **ANNUAL GOVERNANCE STATEMENT 2015-2016**

#### **1 PURPOSE**

This report proposes the approval of the Council's Annual Governance Statement for the year 2015/16.

#### **2 BACKGROUND**

2.1 The Accounts and Audit Regulations 2003 (as amended in 2006 and 2011) introduced the requirement for local authorities to:

- Conduct at least annually a review of the effectiveness of its system of internal control
- Prepare an Annual Governance Statement (AGS)
- Publish the AGS with the Statements of Accounts

2.2 These regulations have now been replaced by the Accounts and Audit code of Regulations 2015 and regulation 6(1) continues the requirement to prepare an annual governance statement. CIPFA have also published a revised version of their framework document on preparing the Code of Governance entitled Delivering Good Governance in Local Government: Framework (2016 Edition) and during the course of this year the Council's Code of Governance will be reviewed against this and a revised version brought to this Committee for approval

2.3 The Regulations require Councils to ensure that their financial management is adequate and effective and there is a sound system of internal control. This facilitates the effective exercise of that Council's functions including the management of risk and review of performance management.

2.4 The system of internal control includes more than just the financial aspects of the Council's business. It includes matters such as the establishment and monitoring of objectives, the arrangements for decision-making and ensuring compliance with established policies.

2.5 The AGS should be approved by this Committee, and published alongside the Statement of Accounts by 30 September 2016. However if necessary, changes can be made to the Governance Statement after approval and before it is published.

### **3. PROPOSED ANNUAL GOVERNANCE STATEMENT**

- 3.1 CIPFA produced revised guidance in 2012 entitled “Delivering Good Governance in Local Government” and a proforma statement, which the Council's AGS is based upon. A revised Local Code of Governance was adopted by the Council in 2014 and forms part of Part 5 of the Constitution.
- 3.2 As mentioned previously, this will need reviewing during this year but this year's AGS has been prepared on the current Code of Governance as adopted based on the 2012 framework document.
- 3.3 The Statement is required to include notification of any significant internal control issues and an action plan to address them. No significant issues have been identified. A number of actions for the current year are identified and will be addressed during the year. Some of these actions were started during this year but now have further actions identified to complete the various areas of work.
- 3.4 The Leader of the Council and the Chief Executive are required to sign the AGS.

### **4 RECOMMENDATION**

It is recommended that the Annual Governance Statement attached at Appendix 1 be:

- approved; and
- published with the Council's Statement of Accounts

**Ann Greaves**  
**Solicitor to the Council**

Contact: 01252 398600

#### ***Background papers:***

*The Accounts and Audit code of Regulations 2015*

*CIPFA Guidance – Delivering Good Governance in Local Government 2012*

# **RUSHMOOR BOROUGH COUNCIL**

## **ANNUAL CORPORATE GOVERNANCE STATEMENT 2015/16**

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### **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 10<sup>th</sup> 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 31<sup>st</sup> 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 4<sup>th</sup> quarter review informs the measures and targets to be incorporated in the next year's plan. The Council's Cabinet meeting of the 31<sup>st</sup> May considered the 4<sup>th</sup> 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 Councils 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>  |
|----------|--|--|---|
| <b>1</b> | 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   |
| <b>2</b> | 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 |
| <b>3</b> | 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  |
| <b>4</b> | 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           |
| <b>5</b> | Confidential Information   | Review need for protocol   | Monitoring Officer  |
| <b>6</b> | Complaints procedure   | Complaints procedure has been reviewed in accordance with new regulators' code   | Head of Democratic and Customer Services  |

|           |                     |  |   |
|-----------|---------------------|--|---|
|           |                     | and following approval, staff need to be informed of revised procedures and the procedure promoted on the Council's website  |   |
| <b>7</b>  | 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  |
| <b>8</b>  | Equality Objectives | Work towards "developing standard" of the Public Sector Equalities Duty across the Council   | Monitoring Officer  |
| <b>9</b>  | 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   |
| <b>10</b> | 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 |
| <b>11</b> | 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  | DMB   |

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

- 4.4 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.....

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