

# Public Document Pack



## RUSHMOOR BOROUGH COUNCIL

### LICENSING AND GENERAL PURPOSES COMMITTEE

*at the Council Offices, Farnborough on  
Monday, 25th September, 2017 at 7.00 pm*

**To:**

Cllr A. Jackman (Chairman)  
Cllr J.E. Woolley (Vice-Chairman)

Cllr Sue Carter  
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 June, 2017 (copy attached).

2. **INTERNAL AUDIT - AUDIT UPDATE – (Pages 7 - 24)**

To consider the Audit Manager's Report No. AUD1705 (copy attached), which sets out the audit work carried out in Quarter 2, updates the Committee on expected deliverables for Quarters 2 and 3 and seeks endorsement of expected deliverables for Quarter 4.

3. **STATEMENT OF ACCOUNTS AND AUDIT RESULTS – (Pages 25 - 150)**

To consider the Head of Financial Services' Report No. FIN1729 (copy attached), which seeks approval for the Council's Statement of Accounts and summarises the findings of the Council's auditors, Ernst & Young, in carrying out their audit work in relation to the 2016/17 financial year. A representative from Ernst & Young will be in attendance to present their Audit Results Report 2016/17 (copy attached as Appendix to the Report).

4. **ANNUAL GOVERNANCE STATEMENT – (Pages 151 - 168)**

To consider the Solicitor to the Council's Report No. LEG1713 (copy attached), which seeks approval of the Council's Annual Governance Statement 2016/17 in light of the adoption by Council on 27th July 2017 of a revised Code of Corporate Governance. The Report also seeks approval for the publication of the Governance Statement alongside the Council's Statement of Accounts.

5. **ANNUAL REVIEW OF THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN – (Pages 169 - 172)**

To receive the Solicitor to the Council's Report No. LEG1714 (copy attached) which updates the Committee on the annual summary of statistics and complaints made to the Local Government and Social Care Ombudsman.

<b>PUBLIC PARTICIPATION AT MEETINGS</b>
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Members of the public may ask to speak at the meeting on any of the items on the agenda by writing to the Committee Administrator at the Council Offices, Farnborough by 5.00 pm three working days prior to the meeting.
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# LICENSING AND GENERAL PURPOSES COMMITTEE

Meeting held on Monday, 26th June, 2017 at the Council Offices, Farnborough at 7.18 p.m.

## **Voting Members:**

a Cllr A Jackman (Chairman)  
Cllr J E Woolley (Vice-Chairman) (In the Chair)

a Cllr Sue Carter  
a Cllr Sophia Choudhary  
Cllr Liz Corps  
Cllr Jennifer Evans  
Cllr B Jones  
Cllr S J Masterson  
Cllr M D Smith  
Cllr L A Taylor  
a Cllr Jacqui Vosper

Apologies for absence were received on behalf of the Chairman (Cllr A Jackman) and Cllr Sue Carter, Sophia Choudhary and Jacqui Vosper.

In the absence of the Chairman, the meeting was chaired by the Vice-Chairman (Cllr J E Woolley)

## **1. MINUTES –**

The Minutes of the Meeting held on 25th May, 2017 were approved and signed by the Vice-Chairman.

## **2. INTERNAL AUDIT – UPDATE –**

The Committee considered the Audit Manager's Report No. AUD1704, which gave an overview of the work completed by Internal Audit during Quarter 1, an update on progress made and changes required for the expected deliverables for Quarters 1 and 2 and a schedule of work expected to be delivered in Quarter 3.

The Committee was advised that resources within Internal Audit were being re-organised following the departure of the Audit Manager under the Mutually Agreed Resignation Scheme. Contractors had been commissioned to carry out some audits within Quarters 2, 3 and 4 to assist the Internal Audit team to ensure that appropriate audit coverage was provided for 2017/18.

The Committee noted that work had been carried out on parking machine income, external tenants, Activation Aldershot (Capital Programme) and heating payments during Quarter 1. In addition, Internal Audit had reported to the Committee on the Audit Opinion and Public Sector Internal Audit Standards on 25th May, 2017.

In addition, the Report advised Members of audit follow-up work to be carried out during Quarter 2 and the current status on the following areas: external tenants; capital projects; Aldershot/Farnborough markets; purchase and sale of property and land; Capital Programme and accounting (Activation Aldershot); contract letting and tendering; transparency code; and, cyber security.

The work expected to be delivered in Quarter 3 was detailed in the Report and had been selected from the high risk areas set out in Appendix B to the Report. As with previous quarters, it was pointed out that the audits could be subject to change due to the changing nature of the organisation or resource availability. The services to be audited in Quarter 3 were: DMB (HMRC and taxation requirements); Finance (financial borrowing); Planning (planning applications); Community (parking machine income follow-up); and, Finance (Financial Management System/bank reconciliation and purchase ledger). It was noted that the some of the financial audits may change to NNDR billing and collection or payroll depending on which order the contractor to be employed to carry out these audits completed the standard financial audits.

**RESOLVED:** That

- (i) the audit work carried out in Quarter 1 and the update to the expected deliverables in Quarters 2 and 3, as set out in the Audit Manager's Report No. AUD1704, be noted; and
- (ii) the expected deliverables for Quarter 3 be endorsed.

### **3. STATEMENT OF ACCOUNTS 2016/17 – DUTIES AND RESPONSIBILITIES –**

The Committee received the Head of Financial Services' Report No. FIN1723, which set out the duties and responsibilities of the Committee in providing effective scrutiny of the Council's financial statements, in preparation for consideration of the Auditors' Report and audited Statement of Accounts by the Committee in September, 2017. Appended to the Report was a draft copy of the Statement of Accounts.

The Report advised Members that, when considering the Statement of Accounts, there was a need to have regard to: materiality; transparency; valuation; consistency; completeness; legality/litigation; classification; economic climate/going concern principle; risk of error; and, rights and obligations. The Report also set out other sources of information and assurance that were available to Members to assist them in their consideration of the final statement of accounts.

**RESOLVED:** That the Head of Financial Services' Report No. FIN1723 be noted.

### **4. TREASURY MANAGEMENT OPERATIONS FOR 2016/17 AND REVISIONS TO THE 2017/18 INDICATORS –**

The Committee considered the Head of Financial Services' Report No. FIN1724, which set out the treasury management operations for 2016/17. A copy of a revised Appendix A to the Report was circulated at the meeting.

It was noted that the Council's treasury team had continued to concentrate on the security of investments, having regard to the returns available. Continued low interest rates throughout the financial year coupled with a lack of suitable counterparties with whom to invest, continued to make the activity challenging. However, overall investment income still managed to produce a buoyant return to the General Fund revenue account. It was confirmed that all treasury management activity during 2016/17 had been carried out in accordance with the Annual Treasury Management Strategy, which had been agreed by the Council in February, 2016.

The 2017/18 Treasury Management Strategy had been approved by the Council on 23rd February, 2017. In addition to the approval of the Strategy, the CIPFA Code required the setting out of responsibilities and duties of Members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Committee was advised that one of the recommendations of the Code was for the creation and maintenance of Treasury Management Practices that incorporated the principles and schedules that achieved treasury management policies and objectives. A review of these principles and schedules had been undertaken and details were set out in Appendix D to the Report.

The Committee was advised that approved property acquisitions in 2016/17 had amounted to around £17 million and had generated significant revenue gains to the General Fund revenue account. In order to finance these acquisitions and some other capital expenditure in the year, a significant proportion of the Council's capital receipts had been utilised for the purposes of financing the Capital Programme. As a result, a variation to the Capital Programme in 2017/18 of £15 million was proposed, with delegation to the Cabinet to draw down on this budget for suitable commercial property acquisitions. The significance of the proposed capital budget and use of borrowing therefore required re-appraisal of the prudential indicators in the Treasury Management Strategy for 2017/18 and these revised indicators were set out in Appendix E to the Report.

During discussion, Members raised questions concerning who recommended properties to be acquired, the allocating of funds to buy these properties and also the role of the Committee in scrutinising processes.

**RESOLVED:** That

- (i) the contents of the Head of Financial Services' Report No. FIN1724 in relation to the treasury management operations carried out during 2016/17 be noted; and
- (ii) it be **RECOMMENDED TO THE COUNCIL** to approve the updated treasury management practices and the revised prudential indicators for 2017/18, as set out in the Report.

## **5. LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING –**

The Committee received the local government audit committee briefing paper prepared by the Council's external auditors, Ernst & Young.

**RESOLVED:** That the briefing paper be noted.

## 6. CONSULTATION ON A PROPOSED VARIATION TO THE SCHEME OF HACKNEY CARRIAGE FARES –

The Committee considered the Head of Environmental Health and Housing's Report No. EHH1723, which outlined proposals to vary the current scheme of hackney carriage fares which, following the approval of the Cabinet, had been published for public consultation, to be concluded on 7th July, 2017. The Committee was a specified consultee in the review process and was invited to consider the proposals and make comments or recommendations for consideration by the Cabinet for any changes to take effect from 1st September 2017.

The Committee was advised that Section 65 of the Local Government (Miscellaneous Provisions) Act, 1976 gave the Council the power (a discretionary ability) to fix the rates or fares in connection with the hire of a hackney carriage vehicle within its district by means of a scheme of fares. The current scheme had last been uplifted on 29th November, 2013 and the scheme was set out in the Report.

It was reported that the Cabinet had noted that the process of setting hackney carriage fares was complex, time-consuming and costly. Members had also expressed concern as to whether the setting of fares best served the public interest and/or supported wider transportation policies; particularly as other service charges in the private and/or self-employed sectors were not similarly regulated. The Cabinet had therefore requested that officers look at the efficacy of and options for the (de)regulation of setting hackney carriage fares. As a consequence of this work, it had been considered appropriate to develop and consult on a more simplified scheme of fares in the first instance. This had resulted in two separate variation proposals that had not found favour with the taxi trade and had subsequently been withdrawn in 2014 and 2015 respectively.

The Committee was advised that, following this, the Cabinet had resolved that a cross-party task and finish group should be established to make recommendations on all future changes to the scheme. It had now been over three years since the fare scheme had been uplifted. To reduce the significance and impact of any fare increase following a prolonged review and minimise the potential for challenge, it was proposed that an interim increase of 4% should be applied, deferring any remaining uplift amount to, and pending the next fare review and/or reworking of the scheme. As an interim uplift, it was proposed that this should be applied as an adjustment to the pull-off rate yardage (i.e. the initial distance to be travelled for the initial engagement charge on the meter) and running mile unit (i.e. the distance travelled for each meter tick-over charge after the initial pull-off distance). This accorded with historical methods of uplift application and the proposed fares scheme was set out in Appendix B of the Report. The Report also set out fare cost comparisons and a cost comparison of a number of local journeys. The Report also set out other relevant issues and guidance to be researched when considering an uplift to the scheme.

During discussion, Members raised issues concerning the working of the Hackney Carriage Fares Working Group, benchmarking fares and fouling charges.

**RESOLVED:** That, in response to the consultation, the Cabinet be advised that the Committee supports the proposals for an interim uplift of 4% to the hackney carriage fares scheme, as outlined in the Head of Environmental Health and Housing's Report

No. EHH1723.

## 7. **CODE OF CORPORATE GOVERNANCE –**

The Committee considered the Solicitor to the Council's Report No. LEG1709, which set out an updated Code of Corporate Governance.

The Report advised that the Code of Corporate Governance was reviewed every year and the latest revision reflected the latest guidance in the CIPFA/SOLACE Framework which had been published in April, 2016. The main changes to the new CIPFA framework included the positioning of sustainable, social and environmental outcomes as a key focus of governance processes and structures. CIPFA considered the links between governance and public financial management were crucial in the current financial climate and underpinned the need for local authorities to focus on long-term solutions.

The Committee noted that the CIPFA/SOLACE guidance "Delivering Good Governance in Local Government; Framework 2016 Edition" had seven core principles, and full details were set out in the Report. Rushmoor's Code of Corporate Governance identified the actions and behaviours to be taken by the Council in relation to each of the core principles and associated sub-principles and the updated Local Code of Corporate Governance was set out in Appendix B to the Report.

During discussion, it was suggested that all Members should receive a briefing or training on this and it was agreed that the matter would be raised with the Member Training and Development Group.

**RESOLVED:** That

- (i) the **COUNCIL BE RECOMMENDED** to approve the Code of Corporate Governance; and
- (ii) the Member Training and Development Group be requested to consider briefing/training for Members on the Code of Corporate Governance.

## 8. **ANNUAL GOVERNANCE STATEMENT 2016/17 –**

The Committee considered the Solicitor to the Council's Report No. LEG1710, which set out the draft Annual Governance Statement for the year 2016/17. The final version of the Annual Governance Statement would be considered at the meeting on 25th September, 2017 when the Committee would also be considering the Statement of Accounts.

It was noted that the new Code of Corporate Governance was scheduled to be adopted by the Council at its July meeting before the Annual Governance Statement could be approved. The Committee was advised that the draft Annual Governance Statement had been prepared against the revised Code of Corporate Governance, which had been considered earlier in the meeting.

The Accounts and Audit Regulations 2003 (as amended in 2006 and 2011) had

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 and to publish this Statement with the Statement of Accounts. These regulations had now been replaced by the Accounts and Audit Code of Regulations 2015, and Regulation 6(1) continued the requirement to prepare an Annual Governance Statement. The Regulations required councils to ensure their financial management was adequate and effective and there was a sound system of internal control. This facilitated the effective exercise of the Council's functions including the management of risk and review of performance management. The system of internal control included matters such as the establishment and monitoring of objectives, the arrangements for decision-making and ensuring compliance with established policies. The Annual Governance Statement was required to include notification of any significant internal control issues and an action plan to address them. The Committee was advised that no significant issues had been identified. A number of actions for the current year had been identified and would be addressed during the year.

The Report also set out a review of governance issues that had been identified in the 2015/16 Annual Governance Statement, showing the actions identified and an update on tasks undertaken.

**RESOLVED:** That the Annual Governance Statement 2016/17, as set out in the Solicitor to the Council's Report No. LEG1710, be approved for publication with the Council's Statement of Accounts.

The Meeting closed at 8.00 p.m.

CLLR J E WOOLLEY (VICE-CHAIRMAN)

**INTERNAL AUDIT – AUDIT UPDATE****SUMMARY:**

This report describes the work carried out by Internal Audit for quarter 2 and the proposed work to be delivered for quarter 3 and 4.

**RECOMMENDATION:**

Members are requested to:

- i. Note the audit work carried out in quarter 2
- ii. Note the update to the expected deliverables for quarter 2 and 3
- iii. Endorse the expected deliverables for quarter 4

**1 Introduction**

1.1 This report is to provide Members with:

- An overview of the work completed by Internal Audit to date for quarter 2
- An update of the progress made and any changes required for the expected deliverables for quarter 2 and 3, as approved by the Committee on the 26<sup>th</sup> June 2017
- A schedule of work expected to be delivered in quarter 4.

**2 Resources**

2.1 The resources within the internal audit team currently remain the same as reported at the June meeting. Although, the Audit Manager role has been advertised and contractors continue to be utilised to provide assistance for the delivery of the internal audit plan.

2.2 The resources will further change in quarter 3, as the internal auditor will commence maternity leave. This post will initially be covered through the use of contractors.

**3 Audit work – Q2 17/18**

3.1 The following audit work has been carried out within quarter 2:

<b>Work</b>	<b>Status</b>
Capital programme – Activation Aldershot	This audit was brought forward from the 16/17 audit plan and finalised in Q2.

	A <b>reasonable assurance</b> opinion has been given to this area. Findings are detailed within appendix A.
Heating payments	This audit was brought forward from the 16/17 audit plan and finalised in Q2. A <b>limited assurance</b> opinion has been given to this area. Findings are detailed within appendix A.
Card Payments	This was an ad hoc audit not originally planned. This was reviewed as a result of a customer complaint received. A <b>reasonable assurance</b> opinion has been given to this area. Findings are detailed within appendix A.
Capital projects follow up	A follow up was carried out on the recommendations made from the Capital projects audit carried out in 2015/16. The findings from the follow up has changed the assurance opinion within this area from limited assurance to <b>reasonable assurance</b> . Findings are detailed within appendix A.
Transparency code	This audit was carried out by the contract auditors as per the schedule of work for quarter 2. A <b>limited assurance</b> opinion has been given to this area. Findings are detailed within appendix A.
Purchase and Sale of Property and Land	This audit is currently being carried out and is on track to be completed within Q2. Details of findings will be communicated to the Committee at the meeting in January 2018.
Contract Letting & tendering	This audit is currently being carried out by the contract auditors. It is currently on track to be completed within Q2. Details of findings will be communicated to the Committee at the meeting in January 2018.

### 3.2 *Other deliverables:*

As a requirement of the Public Sector Internal Audit Standards, details of which were reported to this Committee in May 2017, an external assessment against the standards is currently underway.

- 3.3 The assessment is being carried out as a peer review with the Hampshire Isle of Wight Audit Managers Group. Each of the overall standards are being reviewed and discussed by the group in order to identify best practice across the Hampshire local authorities.

- 3.4 Once the external assessment has been fully completed an overview will be provided to the Committee highlighting areas in which further work may be required.
- 3.5 In quarter 2 Internal Audit will also be assisting External Audit with some of the work required around checking IT parameters on the Benefits system, which is required for the annual Housing Benefit return.

#### 4 Update to audit work for Q2

- 4.1 At the meeting on the 27<sup>th</sup> March 2017, it was agreed that if any changes were required to the agreed deliverables for the quarter, in order to meet changing needs of the organisations, then this would be communicated to the committee along with the reason for the change.
- 4.2 In quarter 2, an audit review, which had not been previously scheduled within the audit deliverables, was required to be carried out relating to card payments.
- 4.3 The table below details the current status against the audits previously agreed to be delivered in quarter 2 and the additional audit review required.

<b>Audits/follow ups</b>	<b>Status</b>
External tenants follow up	Completed Q1 – Findings reported to Committee 26 <sup>th</sup> June 2017.
Parking Machine Income	Completed Q1 – Findings reported to Committee 26 <sup>th</sup> June 2017
Capital projects follow up	Completed Q2 – Findings detailed within Appendix A of this report.
Heating Payments	Completed Q2 – Findings detailed within Appendix A of this report.
Capital programme and accounting – Activation Aldershot	Completed Q2 – Findings detailed within Appendix A of this report.
Card Payments	Completed Q2 – Findings detailed within Appendix A of this report.
Transparency code	Completed Q2 – Findings detailed within Appendix A of this report.
Contract letting and tendering	To be finalised in Q2 by the contract auditor
Purchase and sale of property and	To be finalised in Q2

land	
Aldershot/Farnborough markets follow up	To be carried out in Q2
Cyber security	To be carried out in Q2 by the contract auditor

## 5 Expected deliverables for Q3 & Q4

- 5.1 The work expected to be delivered in quarter 3 and 4 is detailed within the table below. The audits have been selected from the high risk areas detailed in Appendix B. As with the previous quarters, these audits can be subject to change due to the changing needs of the organisation or resource availability. An update will be provided at the January meeting.

Service	Audit/ follow up	Expected
HR	HMRC requirements/ taxation requirements	Q3
Finance	NNDR Billing & Collection	Q3
HR	Payroll	Q3
Finance	FMS and Bank Reconciliation	Q3
Finance	Purchase Ledger	Q4
Community	Parking Machine Income follow up	Q4
Finance	Activation Aldershot follow up	Q4
Finance	Capital programme – Depot	Q4

- 5.2 It was originally thought that the following audits could also be carried out within 17/18. However, due to resource limitations, as detailed in section 2 and an additional higher risk area being identified within quarter 2 for review within 17/18, it is unclear at this stage if these audits can be completed in 17/18.
- 5.3 Due to the additional higher risk areas being included within 17/18 it would not be unreasonable to defer the below audits until the next financial year, as sufficient audit coverage would have been carried out. Therefore, still ensuring that an appropriate opinion on assurance can be given to the Committee for 17/18. An update on this position will be communicated to the Committee at the meeting in January 2018.

Service	Audit/ follow up	Notes
Planning	Planning applications	No concerns have been raised in this area.
Community	Weekly refuse and recycling collection contract	The waste contract has recently been renewed. Therefore, deferring this review until the next financial year would allow time for the contract to be

		fully implemented prior to review.
Finance	Financial borrowing	The risk associated with this area would be low as the current level of borrowing is minimal and has only recently been utilised.

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**HEAD OF SERVICE:** Amanda Fahey

**References:** *Internal Audit – Audit Plan* report, presented to the Committee on the 27<sup>th</sup> March 2017

<http://www.rushmoor.gov.uk/CHttpHandler.ashx?id=17541&p=0>

*Internal Audit – Update report*, presented to the Committee on the 26<sup>th</sup> June 2017

<https://democracy.rushmoor.gov.uk/ieListDocuments.aspx?CId=166&MId=256&Ver=4>



## Appendix A

<b>Audit Title</b>	<b>Capital Programme – Activation Aldershot</b>	
<b>Year of Audit</b>	2016/17	
<b>Assurance given</b>	<b>Reasonable</b> - <i>Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.</i>	
<b>Overview of area</b>	Activation Aldershot is a project made up of various elements, to integrate the town with the Wellesley development through green transport infrastructure and public realm improvements. The project has an overall budget of £4.5 Million.	
<b>Priority</b>	<b>Key findings</b>	<b>Way forward agreed</b>
Low	The end of project report states that the project has been largely a success. However, information to support this opinion has not been detailed. Furthermore, parts of the original objective of the project were subjective, therefore, would make it difficult to evidence the success of the project.	Future projects should ensure that objectives can be measurable. Details of how the projects are determined as successful should be detailed even if subjective objectives are given.
Medium	Project Management documentation was not detailed enough to show changes to the project. Furthermore, an end of project report has been completed showing the project as being £800k underspent. However, the project is still ongoing and the spend is due to increase.	An end of project report should not be carried out until the whole project has been finalised to ensure there is no miscommunication about the project.  Better communication should be carried out with the relevant Finance Officer to ensure that the finances detailed within reports are accurate.
High	The budget for Activation Aldershot is £4.5 Million. However due to an historic error, the financial budget for the project has been over budgeted by £80k. Although, the full budgeted amount has not yet been spent as parts of the project are still ongoing.	The way in which budgets are carried forward has recently been updated by Financial Services to ensure that these errors going forward do not occur.

High	Grants for shop front improvements were given to some shops subject to certain conditions. Appropriate documentation and authorisation was not obtained for all of the grants paid out. Furthermore, the incorrect amount was paid out for 2 of the grants due to VAT being paid in error. This resulted in £2,350 extra being paid out.	Due to the time lapse, it will not be appropriate to go back to the shop owners to request the error amount back. However, as the shop front composite scheme is still ongoing checks should be carried out to ensure that the appropriate documentation is obtained prior to work being carried out.
Medium	A contract to carry out the works was tendered for in conjunction with the Procurement team. However, a copy of the signed contract could not be located.	The Project Manager should ensure that signed contracts are held and copies passed to Legal.

#### Priority key for way forwards

High priority	A fundamental weakness in the system/area that puts the Authority at risk. To be addressed as a matter of urgency.
Medium priority	A moderate weakness within the system/area that leaves the system/area open to risk.
Low priority	A minor weakness in the system/area or a desirable improvement to the system/area.

<b>Audit Title</b>	<b>Transparency Code</b>	
<b>Year of Audit</b>	2017/18	
<b>Assurance given</b>	<b>Limited</b> - <i>Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.</i>	
<b>Overview of area</b>	<p>The Local Government Transparency Code (the Code) was introduced in May 2014 by the Department for Communities and Local Government (DCLG) to “<i>meet the Government’s desire to place more power into citizens’ hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services</i>”.</p> <p>The Code sets out 15 subjects for which data is <i>Required</i> to be published and in addition, 8 of these have further <i>Recommended</i> data to be published.</p>	
<b>Priority</b>	<b>Key findings</b>	<b>Way forward agreed</b>
Medium	There is partial compliance to the <i>Required</i> standard for 6 of the areas: procurement information; local authority land; grants to voluntary, community and social enterprise organisations (although this data is not easily accessible to members of the public); parking spaces; senior salaries; waste contracts.	CLT agreed that relevant services would review the requirements of the code to ensure that their service provides the relevant information required under the code.
High	For the following 4 areas, there was no compliance with the Code either because the published data is incomplete, very out of date or not published: organisation chart; Trade Union facility time; parking account; pay multiple.	
Medium	The main reasons for non-compliance were a lack of awareness that the data needs to be published, who to provide the data to and when, and how to publish the data.	CLT agreed that Internal Audit would be the corporate key contact/ co-ordinator for ensuring publication deadlines and requirements for compliance are met.
Medium	The majority of departments said that they could achieve compliance if they knew what data to provide and had a contact or co-ordinator to provide their data to for uploading onto to the relevant website / or to show them how to publish directly.	

Low	The other main barrier to compliance cited, apart from those outlined above, was a lack of clear ownership of the Code or clear milestones for achieving compliance. With its cross-Council nature, there is no obvious department to which responsibility for monitoring compliance with the Code would obviously fall.	An email will be sent from the corporate key contact to all Heads of Service detailing what is required to be carried out. Heads of service will respond to the email with details of who will be the key responsible person within their service for specific areas.
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<b>Audit Title</b>	<b>Heating Project Payments</b>	
<b>Year of Audit</b>	2017/18	
<b>Assurance given</b>	<b>Limited</b> - <i>Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.</i>	
<b>Overview of area</b>	An invoice was picked up as being received from a contractor for additional labour hours without sufficient documentation to support the additional hours claimed. Therefore, payments for this project were reviewed.	
<b>Priority</b>	<b>Key findings</b>	<b>Way forward agreed</b>
High	Incorrect amounts had been paid to the contractor, Crowthorne, due to a lack of control and monitoring of the finances for the project. Resulting in £2,500 being paid to the contractor when not due.	The £2,500 has been repaid to the Council. Managers should ensure that sufficient information is provided to support invoices prior to payment being put forward for approval.
High	Appropriate documentation was not obtained prior to making payments for additional work/ abortive work. Therefore, it is unclear if the amount invoiced for is appropriate.	Prior to authorising invoices for payment, officers should carry out checks to ensure that appropriate evidence is available to support the payment of the invoice rather than relying solely on the request from contractors for the invoice to be paid.
Medium	Unclear records are held to show when contractors have attended site or when they were unable to carry out the work.	Facilities should hold clearer records for when contractors attend site or when they attend site but are unable to carry out the work due to access not being given by RBC.

<b>Audit Title</b>	<b>Card Payments</b>	
<b>Year of Audit</b>	2017/18	
<b>Assurance given</b>	<b>Reasonable</b> - <i>Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.</i>	
<b>Overview of area</b>	As a result, of a complaint dealt with by Parking Services, a review of how card payments are processed and training given to officer who take payments, was carried out.	
<b>Priority</b>	<b>Key findings</b>	<b>Way forward agreed</b>
High	<p>Officers handling sensitive personal data need to be made aware of the importance of maintaining the security of the data. This is especially key with the introduction of General Data Protection Regulation (GDPR) next year, in which significant fines could be imposed on the Council for personal data breaches.</p> <p>Clear training records are not held to demonstrate that appropriate training has been given to officers taking card payments.</p>	<p>There is an option for online training This will ensure that a record is held to demonstrate that staff are aware of processes and furthermore they will be reminded annually.</p> <p>In addition, a 'toolbox talk' document could be completed when specific training on taking card payments is given. This can detail what training was given and all attendees then sign the document to show that they have attended the training.</p>

<b>Audit Title</b>	<b>Capital Projects follow up</b>		
<b>Year of Audit</b>	2017/18		
<b>Assurance given at time of the audit</b>	<b>Limited</b> - <i>Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.</i>		
<b>Assurance given at time of the follow up</b>	<b>Reasonable</b> - <i>Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.</i>		
<b>Overview of area</b>	<p>A review of capital projects over a 3 year period was carried out in 2015/16.</p> <p>A discussion on the findings was carried out with DMB. As a result, 5 recommendations were made. 3 Medium and 2 Low priority.</p> <p>A follow up was carried out to identify the current status of the recommendations agreed.</p>		
<b>Priority</b>	<b>Way forward agreed</b>	<b>Follow up findings</b>	<b>Recommendation status</b>
Medium	Resource availability and priority of the project to be reviewed by the asset management group.	<p>This has started to be questioned by the asset management group when capital bids are made. The group have started to look at linking projects with other strategic plans and looking at the overall spend of all projects combined and their impact rather than looking at them individually.</p> <p>This should be further applied during the next capital bid process.</p>	Implementation in progress
Medium	More monitoring of projects on the capital programme.	<p>Progress with major projects is reported to Board by the corporate projects officer.</p> <p>Finance are also currently looking at</p>	Implementation in progress

		potentially monitoring projects with large variances monthly as part of the budget monitoring process rather than quarterly.	
Low	Better definition of the asset management group's role.	<p>The asset management group are currently refining the terms of reference. The minutes from the last meeting on the 13<sup>th</sup> July shows that work is still ongoing to appropriately define the terms of reference.</p> <p>An asset management strategy was produced however this focused more on the purchase of property rather than a higher level overview of asset management as a whole. Therefore, this is currently being looked at to make it more related to asset management overall.</p>	Implementation in progress
Medium	Feasibility of projects to ensure that they can be carried out.	Feasibility is carried out for some of the projects on the capital programme. However this is still not carried out for all projects. Feasibility costs can only be capitalised if the project goes ahead.	Implementation in progress
Low	Asset management group should come back to Board with clear ideas on structure and incorporating the above points/ recommendations.	As work is still in progress with the asset management group they have not yet been back to Board with the structure incorporating all of the above points. Once the group is more established with clearer objectives this will be communicated with the Board/ CLT.	Not implemented

## RISK UNIVERSE SCORING - August 2017

	Department	AUDIT AREA	Total risk score	Financial year last audited	Notes
1	Legal	Purchase and Sale of property and land	31	Not audited	Include in 2017/18 plan.
2	Finance	Capital programme and accounting	29	2016/17	Depot was highlighted as a potential capital project to look at - Include in 2017/18 plan. <b>NB: Capital programme is reviewed annually due to high financial spend. Different projects are selected annually.</b>
3	Legal	Contract letting and tendering (Procurement)	28	2012/13	Include in 2017/18 plan.
4	Legal	Transparency code	26	2014/15	Include in 2017/18 plan.
5	IT & Facilities	Cyber security	26	Not audited	Include in 2017/18 plan.
6	Legal	GDPR & NIS	25		Added to the risk universe July 17. Work is currently underway by a steering group in order to ensure compliance with GDPR. As a result this will be review early 2018/19 to ensure appropriate compliance is in place following work being carried out by the group.

7	DMB	HMRC requirements	25	2015/16	Include in 2017/18 plan. More of a follow up on actions than a full audit.
8	DMB	Taxation and returns	24	2015/16	Carry out in conjunction with item 6 above - Include in 2017/18 plan.
9	Key Financial System - Finance	Benefits overpayments	24	2016/17	This was reviewed in 2017/18 as part of the Benefits audit. The area is currently undergoing improvement so will be revisited as part of the key financial system schedule in 2018/19.
10	Key Financial System - Finance	NNDR billing and collection	24	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
11	Planning	Planning enforcement	24	2015/16	This was recently audited and further work in this area is being taken forward by the Corporate Investigations Officers.
12	Key Financial System - Finance	Sundry debtor recovery	24	2015/16	Include in 2018/19 plan as per schedule for key financial systems.
13	Planning	Planning applications	23	2005/06	Include in 2017/18 plan.
14	Key Financial System - Finance	Council tax billing and collection	23	2016/17	Include in 2019/20 plan as per schedule for key financial systems.
15	Community	Weekly refuse and recycling collection contract	23	Not audited	Include in 2017/18 plan.
16	Key Financial System - Finance	Council tax recovery	23	2016/17	Include in 2018/19 plan as per schedule for key financial systems.
17	Key Financial System - Finance	NNDR recovery	23	2016/17	Include in 2018/19 plan as per schedule for key financial systems.

18	Community	Aldershot and Farnborough Markets	23	2015/16	A follow up and work in this area is still ongoing from 2016/17 audit review, so this will be included within the 2017/18 plan as a follow up.
19	Community	Car boot sales	23	2015/16	A follow up will be carried out in 2017/18 plan in conjunction with item 17 above.
20	Finance	Financial Borrowing	23	Not audited	Include in 2017/18 plan.
21	Community	Rushmoor Community lottery	22		Added to the risk universe June 17
22	Community	Digital advertising boards	22	Not audited	Include in 2017/18 plan.
23	Democratic & CSU	Constitution	22	Not audited	
24	Key Financial System - DMB	Payroll/ Pay	22	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
25	Planning	SANGS	22	Not audited	
26	Planning	S106 agreements	21	2010/11	
27	DMB	External funding applications	21	Not audited	
28	Community	Grants to organisations	21	2015/16	This area was audited in 2015/16 and a follow up carried out in 2016/17.
29	Environmental Health & Housing	CCTV	21	2013/14	
30	IT & Facilities	PCI compliance	21	2008/09	
31	Key Financial System - Finance	Treasury Management	21	2016/17	Include in 2019/20 plan as per schedule for key financial systems.
32	Key Financial System - Finance	Council tax reliefs, reductions and exemptions	21	2016/17	Include in 2019/20 plan as per schedule for key financial systems.

33	Key Financial System - Finance	NNDR hardship, reliefs and exemptions	21	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
34	Environmental Health & Housing	Disabled facility grants	21	2011/12	
35	IT & Facilities	External tenants	21	2016/17	This area was audited in 2016/17. A follow up will be scheduled in 2017/18 plan.
36	Democratic & CSU	Corporate policy/ strategic objectives/ corporate planning	21	Not audited	
37	Democratic & CSU	Strategic partnerships	21	Not audited	
38	Community	Car park machine income off street parking	21	2016/17	This area was audited in 2016/17 and a follow up will be scheduled in 2017/18 plan.

**LICENSING & GENERAL PURPOSES  
COMMITTEE  
25 SEPTEMBER 2017**

**HEAD OF FINANCIAL SERVICES  
REPORT NO. FIN1729**

**STATEMENT OF ACCOUNTS 2016/17  
AND  
AUDIT RESULTS REPORT 2016/17**

**SUMMARY:**

The purpose of this report is to seek Members' approval for the Council's Statement of Accounts for 2016/17 and to draw to the Committee's attention to the findings of the Council's auditors, Ernst & Young, in carrying out their audit work in relation to the 2016/17 financial year.

**RECOMMENDATIONS:**

It is recommended that the Committee:

- i) Note the Auditor's Audit Results Report;
- ii) Approve the financial statements for 2016/17;
- iii) Approve the letter of representation, and
- iv) That the Chairman sign page 15 of the Statement of Accounts 2016/17 attached at Appendix A to certify the Committee's approval

**1 STATEMENT OF ACCOUNTS 2016/17**

- 1.1 The Statement of Accounts for 2016/17 has been prepared in line with CIPFA's 'Code of Practice on Local Authority Accounting' for 2016/17, under International Financial Reporting Standards (IFRS) and in accordance with the Accounts and Audit (England) Regulations 2015.
- 1.2 The regulations require a committee of the Council to consider and approve the Statement and ensure that it is signed by the chairman of the approving committee. Following approval, the Statement must be published by the 30th September 2017.
- 1.3 The Statement of Accounts consists of the following sections and is attached at Appendix A.
  - Narrative Statement
  - Statement of Responsibilities
  - Core Financial Statements – Movement in Reserves, Comprehensive Income and Expenditure, Balance Sheet and Cash Flow.
  - Notes to the Core Financial Statements – including accounting policies
  - Collection Fund and accompanying notes

- 1.4 The Council's Annual Governance Statement, which receives approval as an earlier item on this agenda of the Licensing and General Purposes Committee will be required to be published alongside the Statement of Accounts by the 30<sup>th</sup> September.

## **2 LETTER OF REPRESENTATION**

- 2.1 The Council provides a letter of representation to the auditors as part of the annual audit process. This is an important factor in enabling the auditor to form his/her opinion as to whether the Statement of Accounts provides a true and fair view of the financial position of the Council.
- 2.2 The text is set out at Appendix C of the Audit Results Report for consideration by the Committee.

## **3 AUDIT RESULTS REPORT 2016/17**

- 3.1 The auditors have substantially completed their audit for the 2016/17 financial year and their conclusions are set out in the Audit Results Report attached at Appendix B.
- 3.2 Ernst and Young have reported that they anticipate issuing an unqualified opinion on the financial statements and that the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 3.3 There are however some recommendations included in the report to strengthen the Council's governance arrangements in relation to the role of this Committee, a review of the Council's risk management framework and the way the Council reviews the advice received from experts.

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# Statement of Accounts

## 2016 - 17

**RUSHMOOR**  
BOROUGH COUNCIL



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We are proud of, and excited by, our new waste management, street cleaning and grounds' and parks' maintenance contract, which starts on 31 July 2017. Not only will this deliver improved services to our residents and businesses, while retaining weekly bin collections, but it will also save us £650,000 a year on a ten-year contract worth £3.8 million a year.

We continue to focus on generating additional income through new property investments and to make savings by negotiating better value from contracts and services we commission.

We also want to continue to harness the opportunities to improve and be more efficient that the ever-changing digital world offers us all. We have introduced the Love Rushmoor mobile app so residents and businesses can report problems to us while they are out and about and we will be looking to offer more services through the app this year. We will also be developing our use of mobile and digital technology to improve how we work.

Our well-managed and focused budget is the 'golden thread' running through all of the above. You can find out more about our budgets and financial strategies on our website at [www.rushmoor.gov.uk/statementofaccounts](http://www.rushmoor.gov.uk/statementofaccounts) and about our priorities and how we are doing at [www.rushmoor.gov.uk/councilplan](http://www.rushmoor.gov.uk/councilplan).

**Councillor David Clifford, Leader of Rushmoor Borough Council**

**Councillor Paul Taylor, Cabinet member for Corporate Services**

## Narrative Statement from the Chief Financial Officer

The Narrative Statement that accompanies the Statement of Accounts is designed to provide an overall explanation of the Council's financial position during 2016/17 and looking ahead. It includes information about the operation of the Council and the major influences affecting its accounts. The aim of the report is to assist readers in their understanding and interpretation of the accounting statements, in order to provide confidence that public money has been properly accounted for and that the financial standing of the Council is secure.



Changes were made in the previous financial year in relation to the requirements for approval, inspection and publication of the Statement of Accounts, as set out in the Accounts and Audit Regulations 2015. This includes a requirement for all local authorities to provide a 30-day public inspection period, which must include the first 10 working days of July. Notification of the period is reported on the Council's website, alongside the unaudited, draft Statement. There is no specific requirement for the relevant committee (in Rushmoor's case, Licensing and General Purposes Committee) to review the draft Statement of Accounts ahead of final approval in September. However, a draft is presented to Committee in June, in line with good practice.

The Narrative statement contains the following key sections:

1. An introduction to Rushmoor
2. Key facts about the Council
3. Financial performance of the Council 2016/17
4. Non-financial performance of the Council 2016/17
5. Corporate Risks
6. Explanation of the Financial Statements

### 1. An introduction to Rushmoor



The Borough of Rushmoor, with an estimated population of around 95,300, covers an area of 3,905 hectares at the northeast corner of Hampshire, with its eastern boundary with Surrey being formed by the River Blackwater. London is some thirty miles away and the Borough is served by direct road and rail links to the capital and the south coast. Rushmoor includes the towns of Aldershot, with its world famous military history and Farnborough, long noted as the birthplace of aeronautical research and development and served by Farnborough Airport.

The urban area extends the full length of the Borough from the southern boundary with Farnham to the towns of Frimley and Camberley across the River Blackwater in the north.

The military area and Farnborough Airport occupy the land between Aldershot and Farnborough and to the west of those towns, and works continue on Wellesley, a major redevelopment of an area of former Ministry of Defence land north of Aldershot, which will provide an additional 3,850 properties over the next fifteen years.

## 2. Key facts about Rushmoor Borough Council

Rushmoor Borough Council is a complex organisation providing a wide variety of services to the public, from regulatory services including licensing, planning and building control, to universal services such as waste collection & recycling and welfare services such as housing needs & the administration of housing benefits. Behind these frontline services are all of the support functions that enable the services to happen, such as finance, I.T. and legal services as well as our customer services staff that look after the customers visiting and contacting the Council. These are just a few services among the many provided by a Council employing around 300 members of staff. The Council's policies are directed by its political leadership and implemented by the Directors' Management Board, Heads of Service and other officers of the Council.

### • The Political Structure of the Council in the 2016/17 Municipal Year

Rushmoor has 13 wards and the Council consists of 39 elected Members. The political make-up of the Council during 2016/17 was as stated below:

	Councillors
Conservative Party	26
Labour Party	11
UKIP	2
Total number of all elected members	39

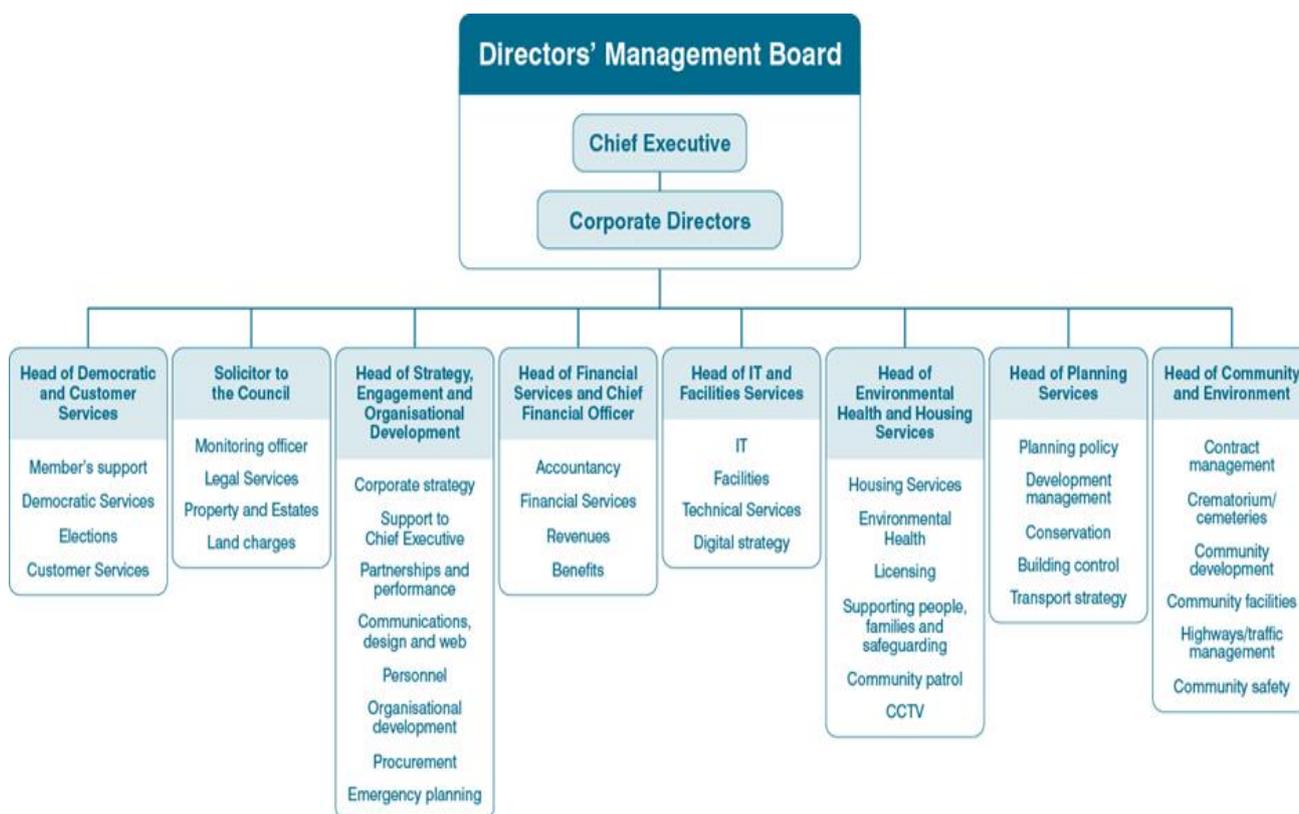
The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet,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

### • The Management Structure of the Council

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

The Head of Financial Services (Chief Financial Officer) is able to attend all meetings of DMB, as is the Solicitor to the Council as Monitoring Officer. This ensures that these key statutory roles have on-going access to the most senior level of the Council. Prior to the commencement of 2016/17 the Cabinet considered and approved a report amending the Council's structure, creating Corporate Directors, leading on cross-cutting themes, rather than individual services, and reducing the number of Heads of Service from nine to eight. Individual services and activities were realigned more efficiently, bringing together work that had previously been split across services and some additional resources were proposed to deliver new priorities.

An outline of the structure follows:



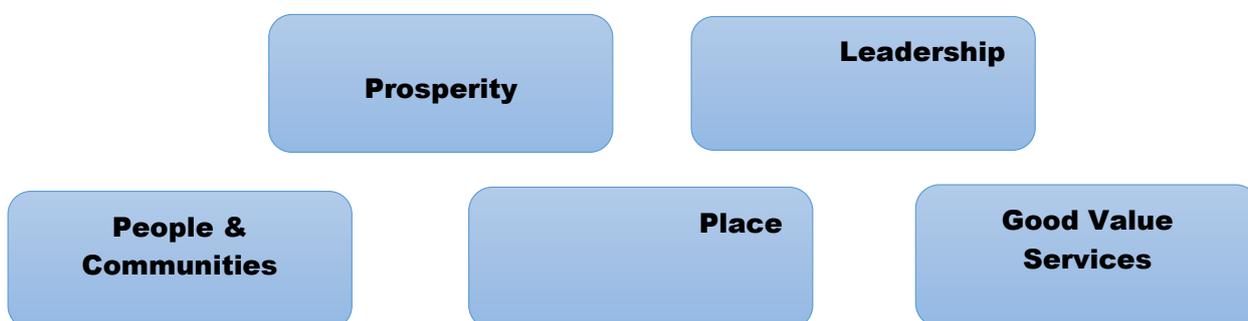
During 2016/17 the Directors’ Management Board continued their review centred around the Council’s Organisational Development work – providing a workforce equipped to deal with the ever-changing challenges facing local government, accompanied by a revised Development Review process (previously Appraisal process), a skills audit and a co-ordinated approach to Learning and Development needs.

• **The Corporate Plan**

One of the key strategic documents that frame the actions of the Council is the Council’s Corporate Plan. This document exists to help elected Members, staff and partners work together to deliver the vision for Rushmoor. It sets out our priorities – what we are doing and why.

The Cabinet reviews progress against the Corporate Plan on a quarterly basis. This acts as the key corporate performance monitoring process for the Council. The document combines both informative data about the Rushmoor area and some more specific data about the Council as a whole and about individual services. It is provided to give an enhanced overview to inform Cabinet’s priorities and its monitoring of performance.

The Corporate Plan is divided into five priority themes which support our overall purpose to work with others to improve the quality of people’s lives.



**• Key issues that influenced the Council and its financial position in 2016/17**

The PESTLE analysis shown below highlights some of the key issues influencing the Council in 2016/17 and looking ahead to 2017/18.

**Political**

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

**Economic**

- Regeneration: The Council continued with its town centre regeneration plans for Aldershot and Farnborough (see below under 'Environmental' for detail)
- Economy: The impact of the economy has been felt via the austerity measures referred to above in addition to pressure on income streams as residents' income is squeezed and low interest rates impact on the Council's investments.
- Pressure on partners: local voluntary sector organisations have been under increasing demand pressure from residents.
- Local growth in business rates during 2016/17
- Business rates revaluation for the year 2017/18 and onwards

**Social**

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

**Technological**

- Rushmoor has been responding to a number of technological challenges such as developing new ways of working including remote or flexible working for staff, the accessibility of services for customers and the impact of social media. In 2016/17, work continued on the Channel Shift programme, developing more efficient ways to interact with our customers.
- Alongside this, the Council has been developing a Digital Strategy, which describes how we will use modern tools and technologies to enable services which are effective, convenient and value for money and which help make Rushmoor a better place to live and work.
- Responding to the threat of cyber-crime and maintaining security compliance

## Legal

- Responding to legislation and assessing the impact on the Council and its residents

## Environmental

- The shortage of Suitable Alternative Natural Green Space (SANGS) has begun to impact on housing supply and the Council is actively seeking alternative options
- The Wellesley development in Aldershot is progressing with the provision of 3,850 homes over the medium- to long-term
- Progressing the Local Plan and working with the duty to co-operate with neighbouring planning authorities
- Farnborough Civic Quarter Masterplan Supplementary Planning Document (SPD) provides the planning framework for redevelopment of the area
- Aldershot Town Centre Prospectus SPD provides the planning framework for a number of key sites around the town including The Galleries, Railway Station and Union Street East.
- The Council has established an Aldershot Regeneration Working Group in early 2016/17 to take forward the aspirations of the Prospectus and encourage investment in the town centre.

### • The Medium Term Financial Strategy

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

Given the uncertain (although improving) economic climate, major government policy changes and changes to the funding mechanisms for local government, the financial position of the Council is potentially more volatile and subject to greater risk than in the past. The austerity measures introduced by central government to tackle the national budget deficit have impacted heavily on local government and are likely to continue for some time. The economic climate also affects the levels of income from services such as planning, parking, land charges and building control, which are factored into the medium term forecast. Other areas affected would be interest receipts given the low level of current interest rates. This has been mitigated in part during 2016/17 by continued diversification in our investment portfolio and the acquisition of some additional investment property.

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

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

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

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

The plan is reviewed on an on-going basis by both officers and Members, ensuring its continued relevance, with clear accountability for each work-stream and realistic targets for achieving net cost reductions within relevant timescales. The Cabinet have commissioned the Budget Strategy Working Group to:

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

In particular, the group are currently reviewing the Council's workbook (a detailed log of all activities carried out by services) to identify areas for potential savings, income generation or efficiency review. As mentioned already, alongside the financial review, sits the Council's Organisational Development Programme, which strives to create a workforce 'fit for the future', recognising that sustainability is as much about our staff and the way we work as it is about our financial position.

#### • **The Capital Programme 2016/17 to 2020/21**

The original Capital Programme for 2016/17 was approved at the Council meeting of 25th February 2016 and reflected a medium term view of capital expenditure and funding covering the period 2016/17 to 2019/20. As 2016/17 progressed, the estimates for the year were revised in line with new assumptions and information as it became available and for new projects approved during the year. A revised Capital Programme for 2016/17 was subsequently approved at the Council meeting of 23rd February 2017 covering the period up to 2020/21. The Capital Programme for 2016/17 and beyond reflects the Council's priorities and its 8-point plan including:

- Invest to save schemes and property investment schemes, which will generate additional income streams for the Council.
- Investment in local amenities such as football pitches and playgrounds, mainly funded by developers' contributions
- Continued investment in our town centres including major investment in Aldershot town centre and the links to the new Wellesley development
- Acquisition and development of a site for the provision of a depot for the Council's Waste, Recycling and Street Cleansing services
- The table on the following page shows the revised capital programme for 2016/17 and the indicative programme for following four year period 2017/18 to 2020/21

<b>Capital Expenditure displayed by Portfolio</b>	<b>Estimate 2016/17 £000</b>	<b>Estimate 2017/18 £000</b>	<b>Estimate 2018/19 £000</b>	<b>Estimate 2019/20 £000</b>	<b>Estimate 2020/21 £000</b>
Corporate Services	20,857	6,764	308	253	253
Leisure & Youth	837	362	740	190	120
Environment & Service Delivery	4,714	5,455	102	102	102
Business, Safety & Regulation	102	83	10	750	-
Health and Housing	1,037	965	866	866	866
<b>Total Expenditure</b>	<b>27,547</b>	<b>13,629</b>	<b>2,026</b>	<b>2,161</b>	<b>1,341</b>

<b>Funded by:</b>	<b>Estimate 2016/17 £000</b>	<b>Estimate 2017/18 £000</b>	<b>Estimate 2018/19 £000</b>	<b>Estimate 2019/20 £000</b>	<b>Estimate 2020/21 £000</b>
Revenue Contributions	728	-	-	-	-
Grants/Contributions from other bodies	2,468	1,526	931	1,431	831
Developers' Contributions	375	1,759	400	-	-
Capital Receipts/Borrowing	23,976	10,344	695	730	510
<b>Total Funding</b>	<b>27,547</b>	<b>13,629</b>	<b>2,026</b>	<b>2,161</b>	<b>1,341</b>

### 3. A summary of the 2016/17 financial performance of the Council

- Revenue Outturn Position

The Council's summary revenue outturn position is shown on the following page. The initial budget for 2016/17 was approved by Council on 25th February 2016, forecasting net revenue expenditure of £9.9 million funded by £5.7 million from Council Tax and £4.2 million from Central Government in the form of Revenue Support Grant and income under the revised system for distributing Business Rates. This allowed for a 1.99% increase in Council Tax and committed or inescapable additional items of £44,000. The budget also included expected savings, through cost reduction or income generation, of £860,000. This resulted in an estimated general fund revenue balance of £1.5 million, which was within the approved range for balances of £1 million to £2 million.

The provisional outturn for 2016/17, reported to Cabinet 30th May 2017, showed an improvement on this position with further savings and efficiencies being achieved, due in part to the continued restraint in spending exercised by Heads of Service and significant additional income generated in the year.

The Service Improvement Fund utilised £319,000 in the year to support projects such as channel shift, organisational development and major contract renewal in support of a sustainable financial future. Sufficient General Fund resource was available at the end of the year to transfer back an amount of £481,000 into the Service Improvement Fund for future project support.

The Council engaged in the option to finance elements of service reform revenue costs during the financial year 2016/17 in relation to the "flexible use of capital receipts" initiative. Recognition of this limited duration opportunity was made and a capital receipt was generated early in the year in the sum of £500,000. Capitalised expenditure in the year amounted to £162,000 leaving £338,000 to be carried forward into the two remaining future financial years (2017/18 & 2018/19) for application against the revenue costs of service reform projects.

Additional information regarding earmarked reserves can be found in note 10 to the Statement of Accounts.

<b>Revenue Outturn Summary</b>	<b>Revised Estimate 2016/17 £000</b>	<b>Outturn 2016/17 £000</b>	<b>Variance 2016/17 £000</b>
Net Service Expenditure	13,512	11,997	(1,515)
Corporate Income and Expenditure	(370)	(313)	57
Contributions to/(from) Reserve accounts	(960)	562	1,522
Central Government Funding	(6,463)	(6,582)	(119)
Contribution to/(from) balances	(55)	-	
<b>Council Tax Requirement</b>	<b>5,664</b>	<b>5,664</b>	
1 April 2016	2,000	2,000	
General Fund Transfer	(55)	-	
<b>31 March 2017</b>	<b>1,945</b>	<b>2,000</b>	

The table above does not correspond directly to any of the core statements presented in the Statement of Accounts 2016/17. This is because it contains a combination of figures from both the Comprehensive Income & Expenditure Statement and the Movement in Reserves, while omitting other figures that appear in those statements.

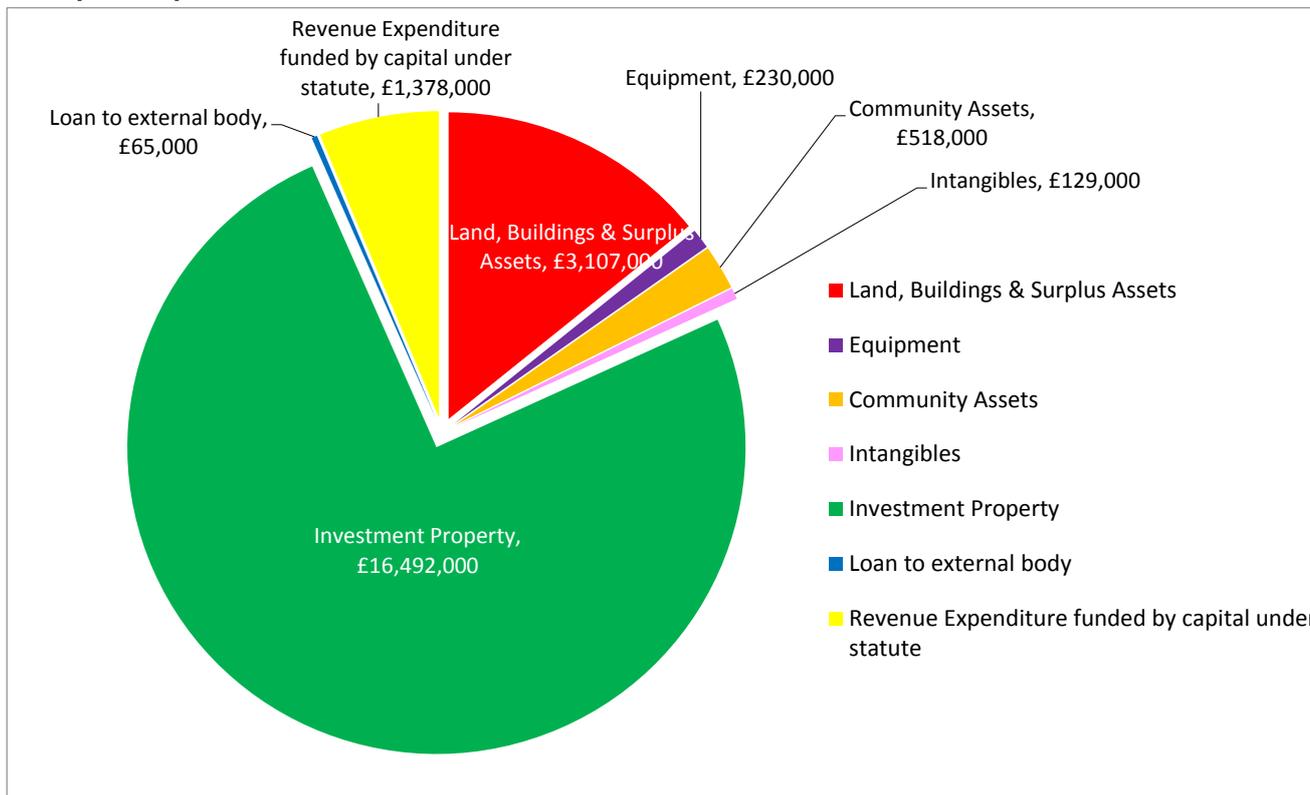
The summary presented above is a simplified version of the format that is used to present the revenue budget to Members and its aim is to show the effect of the year's transactions on the General Fund Balance.

Accounting transactions for items such as Pension Accounting, Capital charges and Employees Benefit adjustments for example, which are all adjusted for elsewhere in the core statements, are not included here, as they have no direct impact on the level of general fund reserves.

• Capital Outturn Position

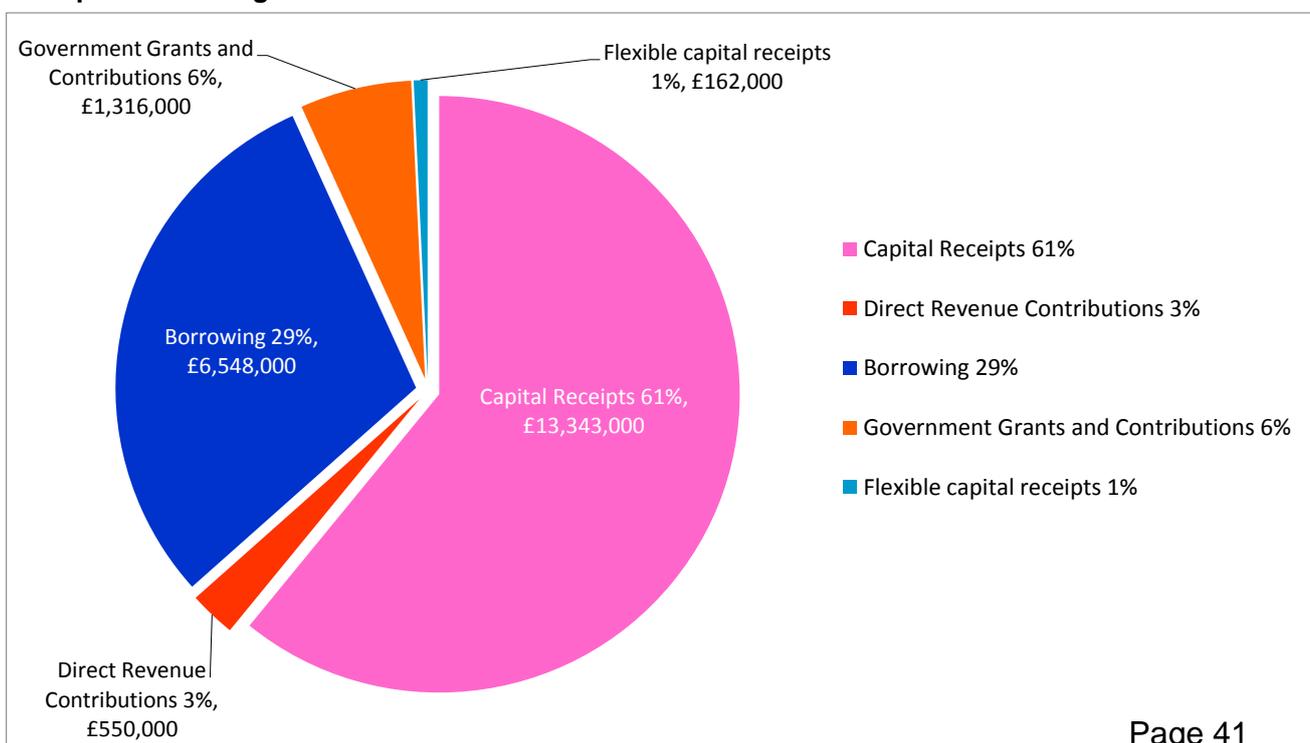
The Council spent £21.919 million on its capital programme in 2016/17, which is presented graphically below.

**Capital Expenditure 2016/17**



The capital financing of the programme is presented below, showing that a significant element was funded from capital receipts, while the remainder was funded from grants, contributions, revenue and some borrowing.

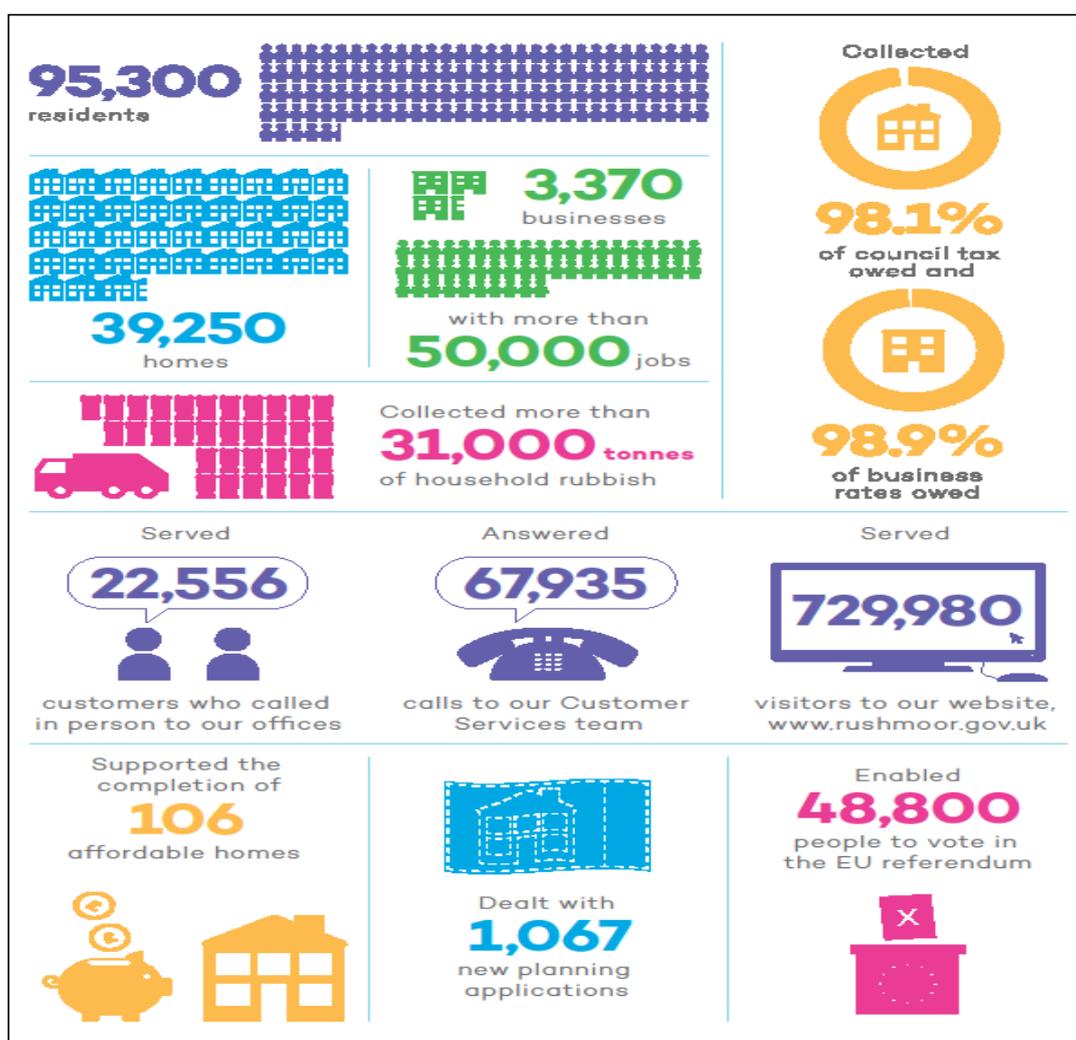
**Capital Financing 2016/17**



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

During 2016/17, Rushmoor Borough Council has continued its drive towards a sustainable future, developing plans for a workforce fit for the future, continuing its improvement and efficiency work using System Thinking principles and continuing to deliver high quality services to its residents while seeking to reduce costs. As the financial statements demonstrate, the Council continues to maintain a sound financial position. We have established good financial management processes and procedures and, recognising that we operate in an environment of continuous change, we will pursue our drive for on-going improvement, working collaboratively across the Council, and with partners where appropriate, to deliver effective end-to-end processes.

The Council's Quarter 4 Corporate Performance Monitoring report can be found on the RBC website at Cabinet meeting - 30 May 2017 - Rushmoor Borough Council and contains extensive performance data relating to each of our five themes. This includes Community Safety data such as local crime rates, educational attainment, benefit caseloads and local economic data. In addition, it provides progress reports against key schemes with the Council's 8 point plan for achieving financial sustainability as well as the Organisation Development Programme. The graphic below provides some useful quantitative information about the Council.



#### 5. Corporate Risks

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

## 6. Explanation of the Financial Statements

Rushmoor Borough Council's Statement of Accounts for the year ended 31st March 2017 is set out on the following pages. The Statement has been prepared in accordance with requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The style and format is similar to that of previous years while the content has been reviewed in line with our aim to remove clutter from the accounts. The Statement of Accounts consists of financial statements and accompanying notes. The following four main statements report on Rushmoor Borough Council's core activities:

<b>Movement in Reserves Statement</b>	< Page 16	The Movement in Reserves Statement shows how the impact of the council's net comprehensive income and expenditure for the year is distributed across its usable and unusable reserves
<b>Comprehensive Income and Expenditure Statement</b>	< Page 17	A statement of the Council's income and expenditure for the year. The upper element of the statement provides a Portfolio analysis by service area, and lower element shows corporate transactions and funding
<b>Balance Sheet</b>	< Page 18	The Balance Sheet gives the council's financial position at the end of the year, showing the value of the assets and liabilities which make up the Council's overall reserves, sometimes known as its net worth
<b>Cash Flow Statement</b>	< Page 19	Highlights changes in the Council's cash balances during the year and whether those changes are due to operating activities, new investment, or financing activities

Also included in the Statement of Accounts are the following supplementary financial statements and accompanying notes:

<b>Expenditure and Funding Analysis</b>	< Page 33	The Expenditure and Funding Analysis is new for the year 2016/17. It takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement
<b>Collection Fund Statement</b>	< Page 76	A statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with payments to Precepting Authorities, Central Government and its own General Fund

<b>Other Reports &amp; Statements</b>		Other Reports & Statements include the <b>Independent Auditor's Report</b> providing the auditor's opinion on the financial statements and the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. The Council is required to ensure that its financial management is adequate and effective and that there is a sound system of internal controls including arrangement for the management of risk. The <b>Annual Governance Statement</b> , approved following the annual review of this system of internal control, is included in this document, in addition to the Statement of Accounts.
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## Accounting Policies

The Council's **Accounting Policies** are laid out in Note 1, and detail of a **Prior Period Adjustment** is provided in Note 2 to the Core Financial Statements.

### Significant items of income or expenditure

The Council has acquired some significant non-current assets during 2016/17. These capital additions together with some other large items of income and expenditure are discussed in the paragraphs that follow.

#### Non-Current Assets Valuation

The Council continues to seek the advice of its Valuer as well as employing an external company of Chartered Surveyors for the valuation of capital assets on a rolling cycle. Valuations were made in 2016/17 for (1) Investment properties, resulting in a range of gains & losses transacted through the Comprehensive Income and Expenditure Account, (2) Surplus assets, (3) Leisure Centres, (4) Sport Club buildings and (5) Heritage assets. The reader is reminded that the increases and reductions in asset value for the range of non-current assets has no direct effect on the General Fund revenue account affecting the 'book value' of the non-current assets only.

#### Business Rates Retention Scheme

Changes to the Business Rates Retention Scheme were introduced some years ago. Under this scheme, the Council's share of estimated rates income for 2016/17 was around 19.0 million, against which it paid a tariff to central government of £15.3 million. As with the Council Tax Collection Fund, any difference in actual collection from these budgeted figures produces a surplus or deficit, which is declared in the following financial year.

#### Capital Receipts

Capital expenditure on a number of investment properties acquired inside and outside the Borough boundary was incurred within the year 2016/17. A substantial element of these properties were financed by the application of capital receipts reducing the available amount at the of the financial year to around £5.9m. This amount will be used in future years to finance a capital loan to an external body (around £4.4m), and the remainder used to finance short-life capital expenditure (e.g. equipment). This leaves a sum sufficient to complete the financing schedule in relation to expenditure that will generate ongoing savings in relation to the application of the Government's flexible capital receipts initiative.

#### Borrowing

The Council had borrowed £4.7million from the Enterprise M3 LEP in the previous financial year in order to finance some specific capital projects. In 2016/17 £1.7 million of this sum was repaid as capital expenditure related to an element of the total amount borrowed was considered unlikely to proceed, and a further £0.4 million was also repaid in favour of the Enterprise M3 LEP. Additionally, the Council raised an additional £12 million short-term borrowing towards the end of the financial year. Total borrowing therefore amounts to £14.6 million at 31st March 2017.

## Receipt of further information

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

## Acknowledgements

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

**Amanda Fahey**

**Head of Financial Services and Chief Financial Officer**

### **The Authority's Responsibilities**

The Authority is required to:

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

### **The Chief Financial Officer's Responsibilities**

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

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

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

### **The Chief Financial Officer has also:**

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

### **Certification of Accounts**

I certify that the Statement of Accounts gives a true and fair view of the financial position of Rushmoor Borough Council and its income and expenditure for the year ended 31st March 2017.

**Amanda Fahey**  
**Chief Financial Officer**  
**Date:** 25th September 2017

### **Approval of Accounts**

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Licensing and General Purposes Committee on 25th September 2017.

**Cr. A. Jackman**  
**Chair of Licensing and General Purposes Committee**  
**Date:** 25th September 2017

**Movement in Reserves Statement**

This Movement in Reserves Statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

<b>Restated</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Council Reserves £000</b>
<b>31 March 2015</b>	<b>5,249</b>	<b>19,608</b>	<b>62</b>	<b>24,919</b>	<b>33,618</b>	<b>58,537</b>
Total Comprehensive Income and Expenditure	(3,767)	-	-	(3,767)	7,442	3,675
Adjustments between accounting basis and funding basis under regulations (Note 9) on Page 40	8,409	(776)	1,613	9,246	(9,246)	-
<b>31 March 2016</b>	<b>9,891</b>	<b>18,832</b>	<b>1,675</b>	<b>30,398</b>	<b>31,814</b>	<b>62,212</b>
Total Comprehensive Income and Expenditure	3,573	-	-	3,573	20,598	24,171
Adjustments between accounting basis and funding basis under regulations (Note 9) on Page 41	(3,011)	(12,969)	(24)	(16,004)	16,004	-
<b>31 March 2017</b>	<b>10,453</b>	<b>5,863</b>	<b>1,651</b>	<b>17,967</b>	<b>68,416</b>	<b>86,383</b>

**Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). The Council raises taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated			Comprehensive Income and Expenditure Statement	2016/17		
2015/16				Gross Exp £000	Gross Income £000	Net Exp £000
Gross Exp £000	Gross Income £000	Net Exp £000				
3,423	(2,296)	1,127	Corporate Services	3,752	(2,926)	826
12,525	(5,262)	7,263	Environment & Service Delivery	7,312	(3,672)	3,640
40,424	(38,579)	1,845	Concessions & Community Support	39,314	(37,456)	1,858
1,921	(481)	1,440	Health & Housing	2,194	(940)	1,254
3,548	(987)	2,561	Business, Safety & Regulation	5,383	(2,953)	2,430
5,838	(2,088)	3,750	Leisure & Youth	4,977	(1,698)	3,279
67,679	(49,693)	17,986	<b>Cost of services - continuing operations</b>	62,932	(49,645)	13,287
150	(71)	79	Other Operating Expenditure (Note 11)	62	(565)	(503)
1,582	(917)	665	Financing and investment income and expenditure (Note 12)	3,273	(7,208)	(3,935)
16,571	(31,534)	(14,963)	Taxation and Non-Specific Grant Income and Expenditure (Note 13)	16,394	(28,816)	(12,422)
85,982	(82,215)	3,767	<b>(Surplus) or Deficit on the Provision of Services</b>	82,661	(86,234)	<b>(3,573)</b>
			<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>			
		(3,587)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (Note 27)			(24,184)
		(3,990)	Remeasurement of the net defined benefit liability/(asset) (Note 27)			3,860
		<b>(7,577)</b>				<b>(20,324)</b>
			<b>Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services</b>			
		135	(Surplus) or deficit on revaluation of available for sale financial assets (Note 27)			(274)
		<b>(7,442)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(20,598)</b>
		<b>(3,675)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(24,171)</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'.

<b>Restated</b>		<b>Balance Sheet</b>	
<b>31 March 2016</b>		<b>31 March 2017</b>	
<b>£000</b>		<b>£000</b>	<b>Notes</b>
48,354	Property, Plant & Equipment	74,719	14
258	Heritage Assets	258	15
26,181	Investment Property	47,997	16
772	Intangible Assets	662	18
27,563	Long-term Investments	24,715	19
2,753	Long Term Debtors	2,337	19
<b>105,881</b>	<b>Long Term Assets</b>	<b>150,688</b>	
5,183	Short Term Investments	4,136	19
5,196	Short Term Debtors	5,068	20
6,823	Cash and Cash Equivalents	5,025	21
<b>17,202</b>	<b>Current Assets</b>	<b>14,229</b>	
26	Cash and Cash Equivalents	-	21
579	Short Term Borrowing	12,429	22
8,197	Short Term Creditors	10,438	23
27	Provisions	-	24
<b>8,829</b>	<b>Current Liabilities</b>	<b>22,867</b>	
2,397	Long Term Provisions	2,738	24
4,121	Long Term Borrowing	2,143	25
43,286	Other Long Term Liabilities	48,526	25
2,238	Capital Grants Receipts in Advance	2,260	36
<b>52,042</b>	<b>Long Term Liabilities</b>	<b>55,667</b>	
<b>62,212</b>	<b>Net Assets</b>	<b>86,383</b>	
30,398	Usable Reserves	17,967	26
31,814	Unusable Reserves	68,416	27
<b>62,212</b>	<b>Total Reserves</b>	<b>86,383</b>	

These financial statements replace the unaudited financial statements certified by the Chief Financial Officer on 30th June 2017. The Chief Financial Officer recertified these audited financial statements and authorised them for issue on 25th September 2017.

**Amanda Fahey**  
**Chief Financial Officer**  
 25th September 2017

**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).

**Restated**

<b>2015/16 £000</b>	<b>Cash Flow Statement</b>	<b>2016/17 £000</b>
(3,767)	Net surplus or (deficit) on the provision of services	3,573
(8,324)	Adjustments to net surplus or deficit on the provision of services for non cash movements - see Note 28	2,365
(149)	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 29	(722)
<b>(12,240)</b>	<b>Net cash flows from Operating Activities</b>	<b>5,216</b>
4,936	Investing Activities - see Note 31	(18,446)
6,643	Financing Activities - see Note 32	11,458
<b>(661)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(1,772)</b>
7,458	Cash and cash equivalents at the beginning of the reporting period	6,797
<b>6,797</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>5,025</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 2016/17 financial year and its position at the year-end of 31st March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17, 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 2016/17, and therefore has a capital financing requirement in excess of zero at 31st March 2017. Other financial liabilities were trade creditors that occur in the normal course of business and a liability arising from an embedded lease in the Council's contract for Waste, Recycling and Grounds Maintenance. The amount presented in the balance sheet in respect of the embedded finance lease is the outstanding principal repayable. Interest payable in the year is calculated and charged to the Comprehensive Income and Expenditure Statement. Financial liabilities entered into with a duration of less than 12 months, such as trade creditors, are recognised at their nominal value.

##### Financial Assets

Financial assets are classified into two types:

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

##### Loans and Receivables

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

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

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

#### Available for Sale Assets

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

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

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

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

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

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

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

#### **xi. Government Grants and Contributions**

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

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

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

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

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

## **xii. Heritage Assets**

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

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

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

- **Civic Regalia**

The items are subject to regular valuation for insurance purposes and the last valuation took place in February 2017. 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 2016/17 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 2016/17 (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 as defined in the SerCOP and included within the Council's Corporate Services Portfolio contained within the Comprehensive Income and Expenditure Statement, as part of "Cost of services – continuing operations", and within the Expenditure & Funding Analysis as "Net cost of 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 Prior Period Adjustment

After the closure of the Council's 2015/16 statement of accounts it was determined that section 106 contributions to be obtained from an external developer were secured by contract during that financial year. The amount that the developer is contractually bound to pay the Council over a seven year period amounts to £3m.

This amount exceeds the level of materiality set for the Council by its external auditor and for this reason the accounts' preparation for 2016/17 contains a prior period adjustment in relation to balances at the end of 2015/16 (31st March 2016).

The fundamental adjustments required to the published balances for 2015/16 in the statement of accounts for 2016/17 expressed in the amount polarity applied in tables to the accounts are as follows:

At 31st March 2016		Published balances in the Statement of Accounts for 2015/16	Adjs	Balances now published in the Statement of Accounts for 2016/17
		£000	£000	£000
<b>Upper element of Balance sheet</b>				
Short-term debtors	Recognition of short-term debtor	4,767	429	5,196
Long-term debtors	Recognition of long-term debtor	182	2,571	2,753
	<b>Net effect on Upper element of Balance sheet</b>		<b>3,000</b>	
<b>Lower element of Balance sheet</b>				
Capital Adjustment Account	Discharge borrowing in relation to capital expenditure scheme Activation Aldershot	60,008	1,387	61,395
Capital Grants unapplied	Income for a "conditions met" section 106 contribution		3,000	
	Transfer to CAA in relation to capital expenditure scheme Activation Aldershot		(1,387)	
Total effect on Capital Grants unapplied		62	1,613	1,675
	<b>Net effect on Lower element of Balance sheet</b>		<b>3,000</b>	

The contribution of £3m applies though the General Fund Account as "in & out conditions met" amount and has no effect on the final General Fund and associated Earmarked Reserves at 31st March 2016.

Information tables presented in the 2016/17 providing comparative amounts in relation to 2015/16 are labelled "Restated".

Further information regarding tables containing prior period adjustments is provided in Note 44 on Page 75.

3 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Restated						
2015/16	2015/16	2015/16		2016/17	2016/17	2016/17
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net (income) or Expenditure in the Comp Income & Expenditure Account		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net (income) or Expenditure in the Comp Income & Expenditure Account
£000	£000	£000		£000	£000	£000
1,201	(74)	1,127	Corporate Services	628	198	826
3,364	3,899	7,263	Environment & Service Delivery	3,251	389	3,640
1,773	72	1,845	Concessions & Community Support	1,798	60	1,858
1,175	265	1,440	Health & Housing	1,144	110	1,254
2,299	262	2,561	Business, Safety & Regulation	2,069	361	2,430
2,444	1,306	3,750	Leisure & Youth	2,683	596	3,279
12,256	5,730	17,986	Net cost of services	11,573	1,714	13,287
(16,898)	2,679	(14,219)	Other income and expenditure not charged to services but is chargeable to the General Fund	(12,135)	(4,725)	(16,860)
(4,642)	8,409	3,767	(Surplus)/Deficit on the Provision of Services	(562)	(3,011)	(3,573)
(5,249)			General Fund opening balance for the year	(9,891)		
(9,891) *			General Fund closing balance for the year	(10,453) *		

\* The General Fund closing balances for each financial year stated in the above table are composed of the following sources:

£000		£000
(2,000)	General Fund Reserve	(2,000)
(7,891)	Earmarked Reserves	(8,453)
(9,891)		(10,453)

Further notes on the Expenditure & Funding Analysis continue on the following page.

Notes to the Expenditure & Funding Analysis

Adjustments between Funding and Accounting Basis

	2015/16			Total Adjustments
	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	
	£000	£000	£000	£000
Corporate Services	404	(485)	7	(74)
Environment & Service Delivery	3,733	163	3	3,899
Concessions& Community Support	3	68	1	72
Health & Housing	198	66	1	265
Business, Safety & Regulation	59	199	4	262
Leisure & Youth	1,205	99	2	1,306
Net cost of services	5,602	110	18	5,730
Other income and expenditure from the Expenditure and Funding Analysis	(4,205)	1,440	5,444	2,679
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	1,397	1,550	5,462	8,409

	2016/17			Total Adjustments
	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	
	£000	£000	£000	£000
Corporate Services	774	(573)	(3)	198
Environment & Service Delivery	271	119	(1)	389
Concessions& Community Support	8	53	(1)	60
Health & Housing	49	62	(1)	110
Business, Safety & Regulation	160	203	(2)	361
Leisure & Youth	521	76	(1)	596
Net cost of services	1,783	(60)	(9)	1,714
Other income and expenditure from the Expenditure and Funding Analysis	(6,194)	1,440	29	(4,725)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	(4,411)	1,380	20	(3,011)

Notes

Note a - Adjustments for Capital Purposes

This column contains a range of adjustments all related to capital. Each category of adjustment is described in the continuation of this note on the following page:

**Note a - Adjustments for Capital Purposes continued**

Adjustments for capital purposes - adds in depreciation and impairment and revaluation gains and losses in the service line

Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure - the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in year to those receiveable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Note b - Net Change for the Pensions Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For Services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES

**Note c - Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

**Notes to the Expenditure & Funding Analysis continued**

Segmental Income - Income received on a segmental basis is analysed below:

<b>2015/16</b>		<b>2016/17</b>
	Revenues from external customers (excluding grants & contributions)	Revenues from external customers (excluding grants & contributions)
<b>£000</b>		<b>£000</b>
(2,296)	Corporate Services	(2,925)
(3,418)	Environment & Service Delivery	(3,652)
(869)	Concessions& Community Support	(263)
(56)	Health & Housing	(124)
(2,706)	Business, Safety & Regulation	(2,897)
(1,279)	Leisure & Youth	(1,377)
(10,624)	<b>Total</b>	(11,238)

**4 Expenditure and Income Analysed by Nature**

This note breaks down the Income and Expenditure as reported in the Comprehensive Income and Expenditure Statement by nature including employees' expenses, Investment Income and expenditure and all capital charges adjustments applied in year.

The analysis is provided in a table on the following page:

**4 Expenditure and Income Analysed by Nature continued**

2015/16 £000	Income Analysed by Nature	2016/17 £000
	<b>Expenditure</b>	
10,573	Employee Benefit Expenses	11,142
142	Changes in the fair value of Investment Properties	1,822
6,386	Depreciation, amortisation, impairment	2,601
16,571	Expenditure from Council Tax, Non-domestic rates	16,394
-	- Interest Payments	11
50,870	Other Service Expenses	49,250
1,440	Net Interest on the net defined benefit liability (asset)	1,440
85,982	<b>Total Expenditure</b>	<b>82,661</b>
	<b>Income</b>	
(23)	Changes in the fair value of Investment Properties	(6,457)
(10,621)	Fees, Charges and Other Service Income	(11,265)
(59)	Gain on the disposal of non current assets	(535)
(46,434)	Grants and Contributions	(42,465)
(24,184)	Income From Council Tax, non-domestic rates	(24,760)
(894)	Interest and investment Income	(751)
(82,215)	<b>Total Income</b>	<b>(86,234)</b>
3,767	(Surplus) or Deficit on the Provision of Services	(3,573)

**5 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 2016/17.

For 2016/17 the list of standards are as below:

Amendment to the reporting of pension fund scheme transaction costs

Amendment to the reporting of investment concentration

The amendments (for pension funds) are not expected to have any material impact on the information in the Council's financial statements.

**6 Critical judgements in applying accounting policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are provided on the following page:

- **Future Funding for Local Government.** There is an element of risk about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. In addition, as mentioned in the Narrative Statement, 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.

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 15.

## **7 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 2017 for which there is a risk of adjustment in the forthcoming financial year are provided on the following page:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Pensions liability</b>	At 31st March 2017, the net Pensions Liability was £48.5million. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured (the impact of changes in assumptions are outlined in note 40). For example, a 0.1% increase in the discount rate assumption would result in a reduction of £60k on the projected service cost. However, the assumptions interact in complex ways. During 2016/17, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £5.24 million due to changes in financial assumptions. Many of the financial assumptions are linked to current market conditions. Conversely, the same measurement decreased by £2.44 million in the previous year.
<b>Property, Plant &amp; Equip</b>	The Council values a proportion of its Property, Plant and Equipment (PPE) every year so that all of its assets are valued on a five year cycle. External valuers are employed to provide expert advice. In 2016/17 there is a £24.19 million upward revaluation mainly related to leisure activity assets utilising the application of the depreciated replacement cost method. This involves estimation of asset obsolescence, area and build costs. The PPE asset opening balance was £67.46 million, and the upward valuation represents a significant change in valuation.	<p>The process employed to undertake PPE asset valuations involving the application of the depreciated replacement cost methodology can produce variations to the accounts. If the obsolescence factor is decreased the carrying value of the asset increases. This factor coupled with estimates of area and build costs can therefore produce variations in depreciation charged into the accounts in a financial year. It is estimated that a 1% change in PPE asset valuation whilst maintaining existing recognition of asset life duration will produce a yearly depreciation variation of £16k.</p> <p>The £24.19 million upward revaluation was comprised of elements relating to the depreciated replacement cost method of £23.01 million and the remainder using other methods. It is estimated that the overall value of these properties would change by £323k for every 1% that the obsolescence factor changed.</p>

## 8 Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on the 30th June 2017. Following the outcome of the General Election held on 8th June 2017 there is continued volatility in the financial markets and increased macroeconomic uncertainty in the UK.

There could be an impact on the Council's investment property valuations if confidence in the wider UK property market reduces. Valuation of the Council's defined benefit pension obligations may also be affected. The quantum of any impact on the financial statements cannot be determined with accuracy and there is likely to be significant ongoing uncertainty while the UK renegotiates its relationships with the EU and other nations in relation to Brexit. There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

## 9 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.

	Restated		Restated	Restated
9 Adjustments between accounting basis and funding basis under regulations	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
For the year 2015/16	£000	£000	£000	£000
<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 received/applied	(3,653)	-	1,613	2,040
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 41)	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>8,409</b>	<b>(776)</b>	<b>1,613</b>	<b>(9,246)</b>

9 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 2016/17</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)	1,349	-	-	(1,349)
Revaluation gains/losses on Property, Plant and Equipment	(366)	-	-	366
Movements in the market value of Investment Property	(4,635)	-	-	4,635
Amortisation of Intangible Assets	238	-	-	(238)
Capital grants and contributions applied	(1,292)	-	(24)	1,316
Revenue expenditure funded from capital under statute	1,380	-	-	(1,380)
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	1	-	-	(1)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	-	-	-	-
Capital expenditure charged against the General Fund	(550)	-	-	550
<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	(536)	536	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(13,505)	-	13,505
<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 41)	3,360	-	-	(3,360)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,980)	-	-	1,980
<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	29	-	-	(29)
<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	(9)	-	-	9
<b>Total Adjustments</b>	<b>(3,011)</b>	<b>(12,969)</b>	<b>(24)</b>	<b>16,004</b>

## 10 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 2016/17.

<b>Earmarked Reserves</b>	<b>Balance as at 31 March 2015 £000</b>	<b>Transfer Out 2015/16 £000</b>	<b>Transfers In 2015/16 £000</b>	<b>Balance as at 31 March 2016 £000</b>	<b>Transfer Out 2016/17 £000</b>	<b>Transfers In 2016/17 £000</b>	<b>Balance as at 31 March 2017 £000</b>
North Lane Lodge	-	-	-	-	-	45	45
Stability and Resilience Reserve	-	-	3,808	3,808	-	-	3,808
Commuted Sums/Amenity Areas	1,278	(50)	691	1,919	(42)	286	2,163
Mercury Abatement	-	-	484	484	-	45	529
Service Improvement Fund	887	(440)	-	447	(319)	481	609
Insurance Reserve	280	(27)	-	253	-	-	253
Civil Parking Enforcement Surplus	51	-	160	211	-	221	432
Cohesion/Migration Impact/Gurkha Settlement	314	(131)	12	195	(67)	-	128
Other Grants (Individually below £30k)	206	(63)	-	143	(44)	32	131
Budget Carry Forwards	150	(150)	91	91	(91)	90	90
TAG Environmental Fund	76	-	7	83	(5)	-	78
Drug & Alcohol Support	75	-	-	75	(39)	-	36
Housing & Planning Delivery Grant	122	(56)	-	66	-	-	66
Land Charges	65	-	-	65	(20)	-	45
Developing Our Communities	70	(34)	-	36	(11)	-	25
Individual Electoral Registration	37	(22)	-	15	-	-	15
<b>Total of all Earmarked General Fund Reserves</b>	<b>3,611</b>	<b>(973)</b>	<b>5,253</b>	<b>7,891</b>	<b>(638)</b>	<b>1,200</b>	<b>8,453</b>

## 11 Other Operating Income and Expenditure

<b>2015/16 Gross Exp £000</b>	<b>2015/16 Gross Inc £000</b>	<b>2015/16 Net Exp £000</b>	<b>Other Operating Income and Expenditure</b>	<b>2016/17 Gross Exp £000</b>	<b>2016/17 Gross Inc £000</b>	<b>2016/17 Net Exp £000</b>
-	(12)	(12)	Photovoltaic Cells Feed In Tariff	-	(20)	(20)
-	-	-	- Advertising income	-	(10)	(10)
-	(59)	(59)	Other Corporate expenditure	129	-	129
-	-	-	(Gains)/losses on the disposal of non-current assets	-	(535)	(535)
27	-	27	MMI Levy Provision	-	-	-
123	-	123	Allowance for Doubtful Debts	(67)	-	(67)
<b>Page 150</b>	<b>72</b>	<b>(71)</b>		<b>62</b>	<b>(565)</b>	<b>(503)</b>

## 12 Financing and Investment Income and Expenditure

Note that the 2015/16 amounts are adjusted in relation to CI&E revisions introduced for 2016/17

2015/16 Gross Exp £000	2015/16 Gross Inc £000	2015/16 Net Exp £000	Financing and Investment Income and Expenditure	2016/17 Gross Exp £000	2016/17 Gross Inc £000	2016/17 Net Exp £000
-	-	-	Interest payable and similar charges	11	-	11
1,440	-	1,440	Net interest on the net defined benefit liability (asset)	1,440	-	1,440
-	(894)	(894)	Interest receivable and similar income	-	(751)	(751)
142	(23)	119	Changes in the fair value of Investment Property	1,822	(6,457)	(4,635)
<b>1,582</b>	<b>(917)</b>	<b>665</b>		<b>3,273</b>	<b>(7,208)</b>	<b>(3,935)</b>

## 13 Taxation and Non-specific Grant Income and Expenditure

Restated

2015/16 Gross Exp £000	2015/16 Gross Inc £000	2015/16 Net Exp £000	Taxation and Non-specific Grant Income and Expenditure	2016/17 Gross Exp £000	2016/17 Gross Inc £000	2016/17 Net Exp £000
-	(5,476)	(5,476)	Council Tax income	-	(5,664)	(5,664)
-	(88)	(88)	Collection Fund (Surplus)/Deficit - Council Tax	-	(78)	(78)
1,025	-	1,025	Collection Fund (Surplus)/Deficit - NDR	377	-	377
15,178	(18,620)	(3,442)	Non Domestic Rates (Income) and Expenditure	15,305	(19,018)	(3,713)
368	-	368	Non Domestic Rates (Safety net)/Levy Payment	712	-	712
-	(1,756)	(1,756)	Revenue Support Grant	-	(1,104)	(1,104)
-	(2,444)	(2,444)	Non-ringfenced Government Grants	-	(2,477)	(2,477)
-	(3,150)	(3,150)	Capital Grants and Contributions	-	(475)	(475)
<b>16,571</b>	<b>(31,534)</b>	<b>(14,963)</b>		<b>16,394</b>	<b>(28,816)</b>	<b>(12,422)</b>

14 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 Surplus/Deficit on the Provision of Services	(1,092)	-	-	-	(1,092)
Reversal of previous 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 written out to the revaluation reserve	3,051	-	-	-	3,051
Derecognition - Disposals	-	591	-	-	591
<b>As at 31 March 2016</b>	<b>(14,456)</b>	<b>(4,645)</b>	<b>-</b>	<b>-</b>	<b>(19,101)</b>
<b>As at 31 March 2016</b>	<b>43,274</b>	<b>1,828</b>	<b>2,874</b>	<b>378</b>	<b>48,354</b>
<b>As at 31 March 2015</b>	<b>42,065</b>	<b>2,258</b>	<b>2,746</b>	<b>194</b>	<b>47,263</b>

14 Property, Plant and Equipment (PPE)

Movements on balances in 2016/17

	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 2016	<b>57,730</b>	<b>6,473</b>	<b>2,874</b>	<b>378</b>	<b>67,455</b>
Additions	3,102	230	518	5	3,855
Revaluation increases recognised in the Revaluation Reserve	24,113	-	-	80	24,193
Revaluation decreases recognised in the Revaluation Reserve	-	-	-	(1)	(1)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(299)	-	-	-	(299)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(9,097)	-	-	-	(9,097)
Derecognition - Disposals	-	(277)	-	-	(277)
Transfers and adjustments	(1,171)	-	360	70	(741)
<b>As at 31 March 2017</b>	<b>74,378</b>	<b>6,426</b>	<b>3,752</b>	<b>532</b>	<b>85,088</b>
<b><u>Accumulated Depreciation</u></b>					
As at 1 April 2016	<b>(14,456)</b>	<b>(4,645)</b>	-	-	<b>(19,101)</b>
Depreciation - annual charge	(1,064)	(285)	-	-	(1,349)
Depreciation written out to the revaluation reserve	9,803	-	-	-	9,803
Derecognition - Disposals	-	277	-	-	277
Adjustments	1	-	-	-	1
<b>As at 31 March 2017</b>	<b>(5,716)</b>	<b>(4,653)</b>	-	-	<b>(10,369)</b>
<b>As at 31 March 2017</b>	<b>68,662</b>	<b>1,773</b>	<b>3,752</b>	<b>532</b>	<b>74,719</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>

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 material capital commitments in relation to Property, Plant & Equipment as at 31st March 2017 amounting to £1,500,000.

## 14 Property, Plant and Equipment (PPE)

### Effects of Changes in Estimates

In 2016/17, 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. 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.

## 15 Heritage Assets

<b>Reconciliation of the carrying amount of Heritage Assets held by the Council.</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>2016/17</u></b>	<b>Civic Regalia</b>
<b>Cost or Valuation</b>	<b>£000</b>
1st April 2016	258
Additions	-
<u>Disposals</u>	-
<b>31st March 2017</b>	<b>258</b>
<b><u>Net Book Value</u></b>	
<b>At 31st March 2017</b>	<b>258</b>
<b>At 31st March 2016</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 two memorials, the Heroes' Shrine in Manor Park, Aldershot & the Cockadobby war memorial, Farnborough and a sculpture of a charging horse in Princes Gardens, Aldershot.

### Memorials and Statues

There were no additions in relation to memorials and statues made during 2016/17.

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	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
<b>Cost of Acquisitions of heritage assets</b>					
Civic Regalia					
Purchases - carrying value	221	221	221	221	221
Donations - carrying value	37	37	37	37	37
<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					
Purchases - carrying value	39	39	39	39	36
Donations - carrying value	65	65	65	61	63
<b>Total</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>100</b>	<b>99</b>
<b>Disposals of Donated Civic Regalia</b>					
Carrying value	-	-	4	-	-
Proceeds	-	-	-	-	-

Information in respect of years prior to 1st April 2012 is not disclosed as it is not practicable to do so.

**16 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:

2015/16 £000	Investment Property	2016/17 £000
(1,873)	Rental income from investment property	(2,520)
505	Direct operating expenses arising from investment property	639
<b>(1,368)</b>	<b>Net (gain)/loss</b>	<b>(1,881)</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 2017.

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

2015/16 £000	Investment Property movements in fair value	2016/17 £000
26,300	Balance at the start of the year	26,181
	- Additions	16,492
	- Transfers	688
(119)	Net gains/(losses) from fair value adjustments taken to the Comprehensive Income & Expenditure Account	4,635
<b>26,181</b>	<b>Total</b>	<b>47,997</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 as advised by the valuer. 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 2017 by the Wilkes, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's investment properties are categorised as follows:

Categories of Investment Property	31st March 2017 £000
Commercial/Industrial Units	15,746
Land leased out for mixed use	8,428
Office Units	2,808
Retail use	21,015
<b>Total of all investment properties</b>	<b>47,997</b>

## 17 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 Business, Safety & Regulation 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 2016 to 31st March 2017.

	<b>Rushmoor Borough Council</b>	<b>Hart District Council</b>	<b>Basingstoke and Deane Borough Council</b>	<b>Total</b>
	<b>2016/17</b>	<b>2016/17</b>	<b>2016/17</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Related Expenditure	106	144	104	354
Premises Related Expenditure	4	-	-	4
Transport Related Expenditure	1	3	-	4
Supplies & Services	9	3	2	14
Support Services	40	-	-	40
Capital Charges	-	-	-	-
Net Project (Income) / Expenditure	(2)	12	-	10
Net Expenditure	158	162	106	426
Hosting Charge	(10)	5	5	-

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 £64,000 as at 31st March 2017 are held as a creditor on Rushmoor Borough Council's balance sheet

<b>Project</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>2016/17 Project Income</b>	<b>2016/17 Project Exp</b>	<b>Balance as at 31st March 2017</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	5	-	(3)	2	-	-	2
Anti Social Behaviour & Night Time Economy	3	-	-	3	-	-	3
NE Hants Drug & Alcohol Action Group (DAAG)	(1)	-	1	-	-	-	-
Bike Project	4	-	-	4	-	-	4
Education Programme	10	-	(4)	6	-	(1)	5
OP Moat	7	-	(5)	2	-	-	2
Victim Support	12	-	(12)	-	-	-	-
LIBOR Fund	31	-	(11)	20	-	(18)	2
Community Development	-	20	(6)	14	20	(11)	23
Domestic Violence	-	-	(11)	(11)	-	11	0
Restorative Justice	-	26	(3)	23	-	(3)	20
Victim Needs Project	-	13	-	13	-	(11)	2
Speedwatch	-	4	-	4	-	(3)	1
Other	(4)	-	2	(2)	1	1	-
	67	63	(52)	78	21	(39)	64

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 shown on the Business, Safety & Regulation 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 2016 to 31st March 2017.

	<b>Rushmoor Borough Council 2016/17 £000</b>	<b>Hart District Council 2016/17 £000</b>	<b>Total 2016/17 £000</b>
Employee Related Expenditure	137	90	227
Premises Related Expenditure	2	2	4
Supplies & Services	85	25	110
Support Services	64	-	64
Capital Charges	44	-	44
Net Expenditure	332	117	449
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 Business, Safety and Regulation 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 1st April 2016 to 31 March 2017.

	<b>Rushmoor Borough Council 2016/17 £000</b>	<b>Hart District Council 2016/17 £000</b>	<b>Total 2016/17 £000</b>
Employee Related Expenditure	245	203	448
Premises Related Expenditure	8	8	16
Transport Related Expenditure	3	3	6
Supplies & Services	10	8	18
Support Services	159	-	159
Net Expenditure	425	222	647
Hosting Charge	(7)	7	-
Fees & Charges	(201)	-	(201)
Other Income	(16)	-	(16)
Hart Contribution to Rushmoor*	(201)	-	(201)

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

\*Hart's contribution in 2016/17 was £228,000, however this is offset by the over accrual of Hart's contribution in respect of 2015/16 of £27,000.

The purpose of the jointly controlled operations is for the councils to work together in a spirit of partnering in connection with their dealings with each other in respect of these services so that, wherever possible the activities of one complement and enhance the activities of the other for the benefit of all residents, businesses and visitors to their respective administrative areas.

There is no requirement for an authority to produce Group Accounts where the authority only has an interest in a jointly controlled operation.

### 18 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 £238,000 charged to revenue in 2016/17 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 2017. The movement on Intangible Asset balances during the year is as follows:

2015/16 £000	Intangible Assets	2016/17 £000
	<b>Balance at the start of the financial year</b>	
2,761	Gross carrying amounts	3,077
(2,091)	Accumulated amortisation	(2,305)
670	Net carrying amount at start of year	772
316	Additions purchases	128
(214)	Amortisation for the period	(238)
<b>772</b>	Net carrying amount at end of year	<b>662</b>
	Comprising:	
3,077	Gross carrying amounts	2,121
(2,305)	Accumulated amortisation	(1,459)
<b>772</b>	<b>Net book value of intangible assets</b>	<b>662</b>

## 19 Financial Instruments

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

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

	Long-term		Current	
	31st March 2016 £000	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000
<b>Investments</b>				
<u>Loans and Receivables</u>				
Fixed Rate Investments	2,000	-	4,016	3,023
<u>Available for Sale Financial Assets</u>				
Pooled Funds/Collective Investment Vehicles	25,563	24,715	1,167	1,113
<b>Total investments</b>	<b>27,563</b>	<b>24,715</b>	<b>5,183</b>	<b>4,136</b>
<b>Debtors</b>				
<u>Loans and Receivables</u>			Restated	
Debtors due within 1 year *	-	-	4,182	4,169
Long Term Debtors	Restated 2,753	2,337	-	-
<b>Total Debtors *</b>	<b>2,753</b>	<b>2,337</b>	<b>4,182</b>	<b>4,169</b>
<b>Borrowings</b>				
<u>Financial liabilities at amortised cost</u>				
Bank Overdraft	-	-	26	-
Borrowing	4,121	2,143	579	12,429
<b>Total borrowings</b>	<b>4,121</b>	<b>2,143</b>	<b>605</b>	<b>12,429</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount **	-	-	3,087	4,497
<b>Total Creditors **</b>	<b>-</b>	<b>-</b>	<b>3,087</b>	<b>4,497</b>

\* & \*\* ... See next page for details  
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\*Debtors due within 1 year excludes £451,000 in respect of Council Tax debtors, HMRC and National Non-Domestic Rates, from the total of £5,068,000 reported on the balance sheet, as these are statutory levies not falling within the definition of financial instruments. £448,000 is also excluded in respect of Payments in Advance.

\*\*Similarly, short term creditors excludes £5,098,000 from the total of £10,438,000 reported on the balance sheet, in respect of Council Tax creditors, Housing Benefit subsidy payments and payments for Non-Domestic Rates. £843,000 is also excluded in respect of Income in Advance.

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

2015/16	Financial Liabilities:	Financial Assets		Total £000
	Amortised Cost £000	Loans and Receivables £000	Available for Sale £000	
Interest expense	-	-	-	-
Amortisation of investment	-	-	-	-
Exchange rate loss on derecognition	-	-	-	-
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>157</b>	<b>735</b>	<b>892</b>

2016/17	Financial Liabilities:	Financial Assets		Total £000
	Amortised Cost £000	Loans and Receivables £000	Available for Sale £000	
Interest expense	(11)	-	-	(11)
Amortisation of investment	-	-	-	-
Exchange rate loss on derecognition	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	(11)	-	-	(11)
Interest income	-	81	672	753
Total income in Surplus or Deficit on the Provision of Services	-	81	672	753
<b>Net gain/(loss) for the year</b>	<b>(11)</b>	<b>81</b>	<b>672</b>	<b>742</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 2016 £000	Value of Financial Assets			31 March 2017 £000
	Input level in Fair Value Hierarchy	Recurring Fair Value Measurements	Valuation technique used to measure	
999	Level 1	Floating Rate Note	Unadjusted quoted prices in active markets	998
5,471	Level 1	Covered Fixed Bonds	Unadjusted quoted prices in active markets	4,349
20,262	Level 1	Pooled Funds	Unadjusted quoted prices in active markets	20,481
<b>26,732</b>	<b>Total Fair Value of Financial Assets</b>			<b>25,828</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 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities at amortised cost	7,813	7,813	19,069	19,069
Finance lease liabilities	-	-	-	-
<b>Total Financial Liabilities</b>	<b>7,813</b>	<b>7,813</b>	<b>19,069</b>	<b>19,069</b>

Financial Assets	31 March 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	15,021	15,021	12,217	12,217
Long-term debtors	Restated 2,753	Restated 2,753	2,337	2,337
<b>Total Financial Assets</b>	<b>17,774</b>	<b>17,774</b>	<b>14,554</b>	<b>14,554</b>

**20 Debtors**

Restated

2015/16 £000	Debtors	2016/17 £000
377	Central government bodies (excluding Business Rates)	390
699	Other local authorities (excluding Precepts)	443
163	Council tax	152
424	NDR	299
3,106	Other entities and individuals	3,336
427	Payments in advance	448
<b>5,196</b>	<b>Total debtors</b>	<b>5,068</b>

**21 Cash and Cash Equivalents**

2015/16 £000	Cash and Cash Equivalents	2016/17 £000
623	Cash held by the Council	35
6,200	Short term cash deposits	4,990
(26)	Bank current accounts	-
<b>6,797</b>	<b>Total Cash and Cash Equivalents</b>	<b>5,025</b>

For 2015/16 the above total is composed of £6,823,000 less overdraft of £26,000 = £6,797,000 ... see Balance Sheet on Page 18

**22 Short-term Borrowing**

2015/16 £000	Short-term Borrowing	2016/17 £000
579	Borrowing from Enterprise M3 LEP	429
-	Borrowing from Local Authorities	12,000
<b>579</b>	<b>Total Short-term Borrowing</b>	<b>12,429</b>

**23 Creditors**

2015/16 £000	Creditors	2016/17 £000
2,596	Central government bodies	4,756
1,826	Other local authorities	2,763
18	Council tax	1
423	NDR	539
2,210	Other entities and individuals	1,536
1,124	Income in advance	843
<b>8,197</b>	<b>Total creditors</b>	<b>10,438</b>

The Council are the Local Trusted Organisation for the Prospect Estate Big Local Partnership. As at 31st March 2017, the Council held £107,834 for this purpose in the "Other entities and individuals" line of the creditors analysis (£104,415 at 31st March 2016)

## 24 Provisions

### Short term Provisions

2015/16 £000	Short term Provisions	2016/17 £000
	- Balance at 1st April	27
27	Additional provision made in the year	-
	- Payment made from the provision in the year	(27)
27	<b>Balance at 31st March</b>	-

The Council made payment from the provision during 2016/17 in respect of the levy required under the Scheme of Arrangement for Municipal Mutual Insurance.

### Long term Provisions

2015/16 £000	Long term Provisions	2016/17 £000
1,761	Balance at 1st April	2,397
798	Additional provision made in the year	548
(162)	Amounts used in the year	(207)
2,397	<b>Balance at 31st March</b>	<b>2,738</b>

The Council had one long-term provision as at 1st April 2016 for £2.397 million in respect of Business Rate appeals, this has now further increased to £2.738 million as at 31st March 2017.

## 25 Other Long Term Items

2015/16 £000	Other Long Term Liabilities	2016/17 £000
43,286	Balance at 31st March	48,526

2015/16 £000	Long Term Borrowing	2016/17 £000
4,121	Balance at 31st March	2,143

## 26 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on Page 16.

27 Unusable Reserves

Restated

2015/16 £000	Unusable Reserves	2016/17 £000
14,169	Revaluation Reserve	37,900
61,395	Capital Adjustment Account	79,252
194	Available for Sale Financial Instruments Reserve	468
(43,286)	Pensions Reserve	(48,526)
(515)	Collection Fund Adjustment Account	(544)
(143)	Accumulated Absences Account	(134)
<b>31,814</b>	<b>Balance at 31st March</b>	<b>68,416</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.

2015/16 £000	Revaluation Reserve	2016/17 £000
<b>10,717</b>	Balance at 1st April	<b>14,169</b>
4,679	Upward revaluation of assets	24,192
(1,092)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
-	Other adjustments	(8)
3,587	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	24,184
(135)	Difference between fair value depreciation and historical cost depreciation	(195)
-	Adjustments to opening book value	(258)
(135)	Amount written off to the Capital Adjustment Account	(453)
<b>14,169</b>	<b>Balance at 31st March</b>	<b>37,900</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 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

**Restated**

2015/16 £000	Capital Adjustment Account	2016/17 £000
63,494	Balance at 1st April	61,395
	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>	
(2,068)	Charges for depreciation and impairment of non-current assets (Property, Plant and Equipment)	(1,349)
(1,970)	Net revaluation gains (losses) on Property, Plant and Equipment	366
(214)	Amortisation of intangible assets	(238)
(2,134)	Revenue expenditure funded from capital under statute	(1,380)
	- 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	(1)
(6,386)	Net of the above transactions	(2,602)
135	Adjusting amounts written out of the Revaluation Reserve	453
(6,251)	Net written out amount of the cost of non-current assets consumed in the year	(2,149)
	<u>Capital financing applied in the year:</u>	
835	Use of the Capital Receipts Reserve to finance new capital expenditure	13,505
653	Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to Capital financing	1,316
280	Statutory provision for the financing of capital investment charged against the General Fund balances	-
1,116	Capital expenditure charged against the General Fund	550
2,884	Net of the above transactions	15,371
1,387	Draw from the capital grants unapplied reserve in relation to the 2015/16 PPA	-
(119)	Movements in the market value of Investment Property debited or credited to the Comprehensive I&E Statement	4,635
61,395	<b>Balance at 31st March</b>	<b>79,252</b>

Available for Sale Financial Instruments Reserve

2015/16 £000	Available for Sale Financial Instruments Reserve	2016/17 £000
329	Balance at 1st April	194
431	Upward revaluation of investments	365
(566)	Downward revaluation of investments not charged to the Surplus/(Deficit) on the Provision of Services	(91)
<b>194</b>	<b>Balance at 31st March</b>	<b>468</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.

2015/16 £000	Pensions Reserve	2016/17 £000
<b>(45,726)</b>	Balance at 1st April	<b>(43,286)</b>
3,990	Remeasurements of the net defined benefit (liability)/asset	(3,860)
(3,460)	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	(3,360)
1,910	Employer's pensions contributions and direct payments to pensioners payable in the year	1,980
<b>(43,286)</b>	<b>Balance at 31st March</b>	<b>(48,526)</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>2015/16 £000</b>	<b>Collection Fund Adjustment Account</b>	<b>2016/17 £000</b>
<b>4,929</b>	Balance at 1st April	<b>(515)</b>
(5,444)	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	(29)
<b>(515)</b>	<b>Balance at 31st March</b>	<b>(544)</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>2015/16 £000</b>	<b>Accumulated Absences Account</b>	<b>2016/17 £000</b>
<b>(125)</b>	Balance at 1st April	<b>(143)</b>
125	Settlement or cancellation of accrual made at the end of the preceding year	143
(143)	Amounts accrued at the end of the current year	(134)
(18)	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	9
<b>(143)</b>	<b>Balance at 31st March</b>	<b>(134)</b>

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

Restated

2015/16 £000	Cash Flow statement - Adjustment to net surplus or deficit on the provision of services for non cash movements	2016/17 £000
2,068	Depreciation	1,349
1,970	Impairment and downward valuations	(366)
214	Amortisation	238
710	Increase/(decrease) in bad debts	99
(10,299)	Increase/(decrease) in Creditors	2,058
(3,495)	(Increase)/decrease in Debtors	3,362
(22)	(Increase)/decrease in Interest Debtors	10
3	(Increase)/decrease in Inventories	-
1,550	Movement in pension liability	1,380
-	- Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1
(1,023)	Other non-cash items charged to the net surplus or deficit on the provision of services	(5,766)
<b>(8,324)</b>	<b>Total adjustment of net surplus or deficit on the provision of services for non cash movements (as per page 19)</b>	<b>2,365</b>

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

2015/16 £000	Cash Flow statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2016/17 £000
-	- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(536)
(149)	Any other items for which the cash effects are investing or financing cash flows	(186)
<b>(149)</b>	<b>Net adjustments to net surplus or deficit on the provision of services for financing and investment cash flows</b>	<b>(722)</b>

**30 Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

2015/16 £000	Cash	2016/17 £000
1,007	Interest received	693
-	- Interest paid	(4)
<b>1,007</b>	<b>Total interest received</b>	<b>689</b>

### 31 Cash Flow Statement – Investing Activities

2015/16 £000	Cash Flow Statement – Investing Activities	2016/17 £000
(1,872)	Purchase of property, plant and equipment, investment property and intangible assets	(20,510)
(41,782)	Purchase of short-term and long-term investments	(4,000)
(73)	Other payments for investing activities	(3,130)
59	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	536
48,552	Proceeds from short-term and long-term investments	8,000
52	Other receipts from investing activities	658
<b>4,936</b>	<b>Net cash flows from investing activities</b>	<b>(18,446)</b>

### 32 Cash Flow Statement – Financing Activities

2015/16 £000	Cash Flow Statement – Financing Activities	2016/17 £000
4,700	Cash receipts of short and long term borrowing	23,000
2,501	Other receipts from financing activities	1,587
(280)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
	Repayment of short and long-term borrowing	(13,129)
(278)	Other payments for financing activities	-
<b>6,643</b>	<b>Net cash flows from financing activities</b>	<b>11,458</b>

### 33 Members' Allowances

In 2016/17 a total of £298,881 was paid out in members' allowances, compared with a total of £294,066 in 2015/16.

### 34 Officers' Remuneration and Termination Benefits

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

Officers' Remuneration and Termination Benefits		Salary and Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive (Note 1)	2016/17	115,683	660	-	116,343
	2015/16	125,219	720	-	125,939
Corporate Director (Note 2)	2016/17	85,627	311	16,203	102,141
	2015/16	78,781	300	15,005	94,086
Corporate Director (Note 3)	2016/17	71,834	285	13,660	85,779
	2015/16	76,374	330	14,506	91,210
Head of Financial Services and Chief Finance Officer	2016/17	72,317	-	13,725	86,042
	2015/16	65,734	-	13,531	79,265

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: Chief Executive retired 28 February 2017, annualised salary of £126,200

Note 2: Corporate Director appointed as Acting Chief Executive from 01 March 2017 to 31 March 2017

Note 3: Corporate Director appointed 01 May 2016, annualised salary of £78,364

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 benefits but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000	2015/16	2016/17
	No of employees	No of employees
<b>Remuneration Band</b>		
£50,000 - £54,999	6	9
£55,000 - £59,999	5	5
£60,000 - £64,999	1	-
£65,000 - £69,999	6	4
£70,000 - £74,999	-	3
£75,000 - £79,999	3	1
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	1
£120,000 - £124,999	-	-
£125,000 - £129,999	1	-

Increase in number of employees in 2016/17 whose remuneration was in excess of £85,000 was due to termination payments made as part of the Mutually Agreed Resignation Scheme

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	No	No	No	No	No	No	£	£
£0-£20,000	-	2	3	4	3	6	25,640	40,964
£20,001-£40,000	-	-	1	1	1	1	32,005	28,674
£40,001-£60,000	-	-	-	1	-	1	-	44,991
<b>Total</b>	<b>-</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>8</b>	<b>57,645</b>	<b>114,629</b>

35 External Audit Costs

2015/16 £000	External Audit Costs	2016/17 £000
51	Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor	50
11	Fees payable to Ernst and Young for the certification of grant claims and returns	8
<b>62</b>	<b>Total</b>	<b>58</b>

### 36 Grant Income

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

**Restated**

2015/16 £000	Grant Income	2016/17 £000
	<b><u>Credited to Taxation and Non Specific Grant Income &amp; Expenditure</u></b>	
1,756	Revenue Support Grant	1,104
1,696	New Homes Bonus	1,994
520	Section 31 Grants in Relation to Business Rates	326
3,150	Capital Grants & Contributions	475
161	New Burden Grant	109
60	Council Tax Freeze Grant	-
-	- Transition Grant	40
7	Top Up Grant	5
-	- Council Tax Discount for Family Annexes	3
<b>7,350</b>	<b>Total</b>	<b>4,056</b>
	<b><u>Credited to Services</u></b>	
	<b>Communities and Local Government</b>	
79	Localising Council Tax Admin Subsidy	88
-	- Other	1
	<b>Department for Works and Pensions</b>	
36,897	Housing Benefit Subsidy	36,425
430	Housing Benefit Admin Subsidy	353
125	Discretionary Housing Payment	168
50	Flexible Support Fund Grant (Skilled Up)	-
31	Other	58
41	<b>Cabinet Office</b>	25
867	<b>Developers Contributions</b>	416
	<b>Hampshire County Council</b>	
425	Better Care Fund	816
21	Public Health Grant	-
13	Contribution for other projects	-
	<b>Other Grants and Contributions</b>	
32	Contributions for other projects	16
49	Big Lottery Fund Grant	-
34	Local & Parliamentary Elections/Referendum contributions	26
-	- Armed Forces Community Covenant	13
(14)	Developing Our Communities contribution for specific projects	-
4	Supported through Big Local, administered by Local Trust for the Big Lottery Fund	4
<b>39,084</b>	<b>Total</b>	<b>38,409</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 2016 £000	<b>The value of grants and contributions that have yet to be recognised as income as they have conditions attached to them</b>	31st March 2017 £000
2,238	S 106/grants Developer's contributions & capital grants	2,260
52	Creditor Armed Forces Community Covenant	39
<b>2,290</b>	<b>Total</b>	<b>2,299</b>

### 37 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 2016/17, the Council provided financial assistance to 112 organisations by way of direct grant payments (£754,606) and awards of rent relief (£215,421).

Within the Business Rates Retention Scheme, rate relief of (£687,214) 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 112 voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

	£
Rushmoor Citizens Advice	305,779
Places for People Leisure Ltd	264,404
Farnborough and Cove War Memorial Hospital Trust	120,398
Rushmoor Voluntary Services	96,002
Step by Step	77,146
British Heart Foundation	58,646
Basingstoke Canal Management Committee	42,246
Trustees of Farnborough Community Centre Association	37,668
Dial a Ride	33,561

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 35.

Members - Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 31. During 2016/17, no works or services were commissioned from companies in which members had an interest. Financial assistance totalling £948,193 was awarded to voluntary organisations in which 27 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.

### 38 Capital Expenditure and Capital Financing

As at 31st March 2017 use of borrowing for capital expenditure resulted in the Council incurring a capital financing requirement of £6.548m. Total capital expenditure in 2016/17 was £21.919 million. of which £1.378m was revenue expenditure funded from capital under statute. An amount of £13.505m was drawn from available capital receipts and government grants and contributions amounted to £1.316m. A summary of this expenditure and how it was financed is shown below.

#### Restated

2015/16 £000	Capital Expenditure and Capital Financing	2016/17 £000
-	Opening Capital Financing Requirement	-
	<u>Capital Investment</u>	
	- Loan to external body	65
1,541	Property, Plant and Equipment	3,855
	- Investment Property	16,492
316	Intangible Assets	129
2,134	Revenue Expenditure Funded from Capital under Statute	1,378
3,991	Total capital investment	21,919
	<u>Sources of Finance</u>	
(835)	Capital receipts	(13,505)
(653)	Government grants and other contributions	(1,316)
(1,116)	Direct revenue contributions	(550)
(2,604)	Total sources of finance applied	(15,371)
(1,387)	Repayment of outstanding capital financing related to external contribution	-
	<b>- Closing capital financing requirement</b>	<b>6,548</b>
	<u>Explanation of movements in year</u>	
	- Increase in underlying need to borrowing (unsupported by government financial assistance)	6,548
	<b>- Increase/(decrease) in Capital Financing Requirement</b>	<b>6,548</b>

The Council had a material commitment in relation to capital expenditure as at 31st March 2017 amounting to £4,435,000 in relation to making a loan to Farnborough International.

### 39 Leases

Council as Lessor  
Operating Leases

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

- Returns from investment property and the provision of community services, such as sports facilities, tourism services and community centres
- 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:

2015/16 £000	Leases	2016/17 £000
2,190	Not later than one year	2,878
7,919	Later than one year and not later than five years	10,384
89,062	Later than five years	92,107
<b>99,171</b>	<b>Total</b>	<b>105,369</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 2016/17, contingent rents of £823 were receivable by the Council (£1,973 in 2015/16).

### 40 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 minor impairment losses of £0.341 million were identified and were offset against previous valuation gains for individual assets.

### 41 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	
	2016/17 £M	2015/16 £M	2016/17 £M	2015/16 £M
Cost of Services: Service cost comprising:				
· current service cost	1.92	2.02	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	1.29	1.29	0.15	0.15
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3.21</b>	<b>3.31</b>	<b>0.15</b>	<b>0.15</b>
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on Plan Assets (Excluding the amount included in the net interest expense)	(13.77)	1.30	-	-
Actuarial gains and losses arising on changes in financial assumptions	24.18	(3.97)	0.40	(0.09)
Actuarial gains and losses arising on changes in demographic assumptions	(1.40)	-	(0.11)	-
Actuarial gains and losses arising from liability experience	(5.22)	(1.15)	(0.22)	(0.08)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>7.00</b>	<b>(0.51)</b>	<b>0.22</b>	<b>(0.02)</b>
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3.21)	(3.31)	(0.15)	(0.15)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	1.69	1.61		
Retirement benefits payable to pensioners			0.29	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	
	2016/17 £M	2015/16 £M	2016/17 £M	2015/16 £M
Present value of the defined benefit obligation	132.45	112.59	4.47	4.54
Fair value of plan assets	88.39	73.84	-	-
Net liability arising from defined benefit obligations	44.06	38.75	4.47	4.54

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £M	2015/16 £M	2016/17 £M	2015/16 £M
Opening fair value of scheme assets	73.84	74.31	-	-
Interest income	2.48	2.35	-	-
Remeasurement gain/(loss) on assets	13.77	(1.30)	-	-
Contributions from employer	1.69	1.61	0.29	0.30
Contributions from employees into the scheme	0.61	0.60	-	-
Net Benefits paid	(4.00)	(3.73)	(0.29)	(0.30)
Closing balance at 31st March	88.39	73.84	-	-

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £M	2015/16 £M	2016/17 £M	2015/16 £M
Opening balance at 1st April	112.59	115.18	4.54	4.86
Current service cost	1.92	2.02	-	-
Interest cost	3.77	3.64	0.15	0.15
Contributions by scheme participants	0.61	0.60	-	-
Remeasurement (gains) and losses:				
Actuarial gains and losses arising from changes in financial assumptions	24.18	(3.97)	0.40	(0.09)
Actuarial gains and losses arising from changes in demographic assumptions	(1.40)	-	(0.11)	-
Actuarial gains and losses arising from changes due to liability experience	(5.22)	(1.15)	(0.22)	(0.08)
Net Benefits paid	(4.00)	(3.73)	(0.29)	(0.30)
Closing balance at 31st March	132.45	112.59	4.47	4.54

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 £16.25 million (2015/16: £1.05 million).

**Scheme history**

	<b>31st March 2017</b> <b>£000</b>	<b>31st March 2016</b> <b>£000</b>	<b>31st March 2015</b> <b>£000</b>
Present value of liabilities: Local Government Pension Scheme	(132,450)	(112,590)	(115,180)
Fair value of assets in the Local Government Pension Scheme	88,390	73,840	74,310
Surplus/(deficit) in the scheme: Local Government Pension Scheme	(44,060)	(38,750)	(40,870)
Discretionary Benefits	(4,470)	(4,540)	(4,860)
Total Surplus/(Deficit) in the Scheme	(48,530)	(43,290)	(45,730)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £48.53 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 2018 is £1.87 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 2016.

The principal assumptions used by the actuary have been:

Financial Assumptions:	31st March 2017 %	31st March 2016 %	31st March 2015 %
Rate of inflation (RPI)	3.10	2.90	2.90
Rate of inflation (CPI)	2.00	1.80	1.80
Rate of increase in salaries	3.50	3.30	3.30
Rate of increase to pensions in payment	2.00	1.80	1.80
Rate of increase to deferred pensions	2.00	1.80	1.80
Rate for discounting scheme liabilities	2.50	3.40	3.20
Pension accounts revaluation rate	2.00	1.80	1.80

Mortality assumptions:	31st March 2017 Years	31st March 2016 Years	31st March 2015 Years
Longevity at 65 for current pensioners:			
Men	24.0	24.6	24.5
Women	27.0	26.4	26.3
Longevity at 65 for future pensioners:			
Men	26.0	26.7	26.6
Women	29.3	28.7	28.6

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 2017 %	31st March 2016 %	31st March 2015 %
Equities	60.3	56.3	57.8
Property	6.5	8.2	8.0
Government Bonds	25.2	25.7	25.4
Corporate Bonds	1.4	2.1	1.6
Cash	3.4	4.7	3.7
Other assets	3.2	3.0	3.5
	100.0	100.0	100.0

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

Impact on the present value of the funded defined benefit obligation in the Scheme	Increase in Assumption £M	Decrease in Assumption £M
Rate of inflation (adjustment to discount rate +0.1% or - 0.1% pa)	(2.32)	2.36
Rate of increase in salaries (increase or decrease by 0.1% pa)	0.43	(0.42)
Rate of increase to pensions in payment & rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	1.93	(1.90)
Post retirement mortality assumption (increase or decrease by 1 year)	3.90	(3.89)

#### 42 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 2016/17 and the Prudential Indicators for Capital Finance were approved by Council on the 25th February 2016 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 2016/17 on the Council's website.

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

		Amount at 31st March 2017	Historical experience of default	Historical experience adjusted for market conditions 31st March 2017	Estimated maximum exposure 31st March 2017	Estimated maximum exposure 31st March 2017
		£000 (A)	% (B)	% (C)	£000 (A x C)	£000 (A x C)
Cash and Cash Equivalents	AAA rated	5,025	-	-	-	-
Long Term Debtors		130	-	-	-	-
Trade Debtors		4,169	0.70	0.70	29	26
		9,324			29	26

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 £1.8 million of the £4.2 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 2016 £000	31st March 2017 £000
Less than two months	191	1,168
Two to six months	377	121
Six months to one year	207	251
More than one year	358	307
<b>Total</b>	<b>1,133</b>	<b>1,847</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 2016/17, analysis for which is detailed below. The maturity analysis of its financial assets is as follows:

<b>Maturity Analysis of Financial Assets</b>	Restated	
	31st March 2016 <b>£000</b>	31st March 2017 <b>£000</b>
Less than one year	12,015	9,161
Between one and two years	3,452	4,781
Between two and three years	4,869	460
More than three years	21,988	21,811
<b>Total</b>	<b>42,324</b>	<b>36,213</b>

Trade debtors of £4.6 million are not included in the above table.

<b>Analysis of Financial Liabilities</b>	31st March	
	2016 <b>£000</b>	2017 <b>£000</b>
Less than one year	579	12,429
Between one and two years	678	429
Between two and three years	804	429
More than three years	2,639	1,285
<b>Total</b>	<b>4,700</b>	<b>14,572</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 2017, 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	103
Impact on Surplus or Deficit on the Provision of Services	103

The impact of a 1% fall in interest rates cannot be provided as the base rate prevailing throughout the year 2016/17 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 2016/17.

**43 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.

**44 Prior Period Adjustment Notes**

Information tables presented in this statement providing comparative amounts in relation to 2015/16 are labelled Restated. The prior period adjustment described at Note 2 on Page 32 affects the following tables:

	<b>Note Number</b>	<b>Page No</b>
Movement in Reserves Statement	Core Statements	16
Comprehensive Income and Expenditure Statement	Core Statements	17
Balance Sheet	Core Statements	18
Cash Flow Statement	Core Statements	19
Expenditure and Funding Analysis	3	33
Financial Instruments	19	52
Debtors	20	55
Unusable Reserves	27	57
Capital Adjustment Account	27	58
Cash Flow statement - Adjustment to net surplus or deficit on the provision of services for non cash movements	28	61
Grant Income	36	64
Maturity Analysis of Financial Assets	42	74

**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.

2015/16 £000	Collection Fund Income and Expenditure Account	2016/17		
		£000	£000	£000
		<b>Council Tax</b>	<b>NDR</b>	<b>Total</b>
	<b>Income</b>			
43,837	Income from Council Tax payers	45,954		45,954
46,036	Income from Non Domestic Rate payers		47,849	47,849
<b>89,873</b>		<b>45,954</b>	<b>47,849</b>	<b>93,803</b>
	<b>Expenditure</b>			
	<b>Precepts</b>			
30,879	Hampshire County Council	32,565		32,565
4,681	Police & Crime Commissioner for Hampshire	4,842		4,842
1,826	Hampshire Fire and Rescue	1,889		1,889
5,476	Rushmoor Borough Council	5,664		5,664
	<b>Business rates:</b>			
126	Allowance for collection		122	122
4,190	Payments to Hampshire County Council		4,279	4,279
466	Payments to Hampshire Fire and Rescue Authority		475	475
18,620	Payments to Rushmoor Borough Council		19,018	19,018
23,275	Payments to Government		23,772	23,772
	<b>Provision for bad and doubtful debts</b>			
268	Council Tax	358		358
335	NDR		273	273
1,589	Provision for NDR appeals		852	852
	<b>Collection fund surplus/deficit</b>			
1,169	Council Tax	710		710
10,886	NDR		(902)	(902)
<b>103,786</b>		<b>46,028</b>	<b>47,889</b>	<b>93,917</b>
13,913	Net Movement in Fund	74	40	114
(13,869)	Balance b/fwd 1 April	(1,820)	1,864	44
<b>44</b>	<b>Balance c/fwd 31st March (surplus)/deficit</b>	<b>(1,746)</b>	<b>1,904</b>	<b>158</b>
	<b>The (surplus)/deficit as at 31st March allocated to:</b>			
(1,147)	Hampshire County Council	(1,269)	171	(1,098)
(197)	Police & Crime Commissioner for Hampshire	(187)	-	(187)
(59)	Hampshire Fire and Rescue	(72)	19	(53)
515	Rushmoor Borough Council	(218)	762	544
932	Government	-	952	952
<b>44</b>		<b>(1,746)</b>	<b>1,904</b>	<b>158</b>
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## 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: (30,172.66 for 2016/17). This basic amount of Council Tax for a Band D property (£1,490.07 for 2016/17) 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 Equivalent Dwellings	Weighting	Band D Equivalent
A (Disabled Relief)	0	5/9	0
A	777	6/9	518
B	5,521	7/9	4,294
C	11,962	8/9	10,632
D	6,788	1	6,787
E	3,400	11/9	4,156
F	1,071	13/9	1,547
G	279	15/9	465
H	5	18/9	10
O (Army)	1,764	-	1,764
<b>Total</b>			<b>30,173</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 2017 is £108,156,558 and the national non-domestic multiplier was 49.7p. This gives a potential business yield of £53.8 million. The actual business rates collectable for 2016/17 after reliefs is £47.8 million. In addition there is an adjustment to the business rates income for the provision on appeals to the collection fund. This provision for 2016/17 has been increased from £6.0 million to £6.8 million, due to the number and value of appeals to be agreed.

**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

2015/16 £000	Collection Fund - Provisions for bad or doubtful debts	2016/17 £000
	<b><u>Council Tax</u></b>	
783	Provisions at 1st April	970
268	Provisions made in year	358
(81)	Written off in year	(109)
<b>970</b>	<b>Provisions at 31st March</b>	<b>1,219</b>
	<b><u>NDR</u></b>	
553	Provisions at 1st April	764
335	Provisions made in year	272
(124)	Written off in year	(259)
<b>764</b>	<b>Provisions at 31st March</b>	<b>777</b>
	<b><u>NDR Valuation Appeals</u></b>	
4,404	Provisions at 1st April	5,993
1,589	Provisions made in year	851
<b>5,993</b>	<b>Provisions at 31st March</b>	<b>6,844</b>

### Glossary of Terms

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

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

#### **Billing Authority**

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

#### **Capital Expenditure**

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

#### **Capital Receipts**

The proceeds from the disposal of land or other assets.

#### **Collection Fund**

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

#### **Community Assets**

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

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

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

#### **Current Assets**

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

#### **Depreciation**

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

#### **Financial Instruments**

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

#### **Finance Lease**

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

#### **Government Grants**

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

### **Heritage Assets**

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

### **Intangible Assets**

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

### **Inventories**

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

### **Investments**

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

### **Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

### **Joint Ventures**

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

### **Liabilities**

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

### **Long Term Assets**

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

### **Non-Distributed Cost**

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

### **Operating Leases**

A lease other than a finance lease.

### **Provisions**

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

### **Related Party Transactions**

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

**Reserves**

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

**Revenue Expenditure**

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

**Revenue Support Grant**

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

**Useful Life**

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



Rushmoor Borough  
Council

## **Audit results report**

Year ended 31 March 2017



Private and Confidential

25 September 2017

Dear Members

We have substantially completed our audit of Rushmoor Borough Council's (the Council) financial statements for the year ended 31 March 2017.

Subject to the adequate resolution of the outstanding matters listed in our report, we confirm that we anticipate being in a position to issue an unqualified audit opinion on the financial statements in the form that appears in Section 3, after your Licensing and General Purposes Committee meeting on 25 September before the statutory deadline of 30 September 2017.

We have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of members and senior management, and should not be used for any other purpose nor given to any other party without our prior written consent.

We would like to thank your staff for the assistance provided to us during the engagement.

We look forward to the opportunity of discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Andrew Brittain  
Executive Director

For and on behalf of Ernst & Young LLP  
United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the 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 (updated September 2015)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.  
This report is made solely to the Members of Rushmoor Borough Council and management of the Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Council members and senior management for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.



### Overview of the audit

#### Scope and materiality

In our Audit Plan, presented at the 30 January 2017 Audit Committee meeting, we provided you with an overview of our audit scope and approach for how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using materiality of £1,388,220. We have reassessed this based on the actual results for the financial year and have decreased this amount to £1,325,340. The threshold for reporting uncorrected audit differences has decreased from £69,410 to £66,267. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

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

- ▶ Remuneration disclosures including exit packages [strategy applied: we agreed all disclosures in the remuneration report back to source data, and exit packages to the agreed and approved amounts]
- ▶ Related party transactions [strategy applied: we tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence]

#### Status of the audit

We are still in the process of completing our audit of the financial statements for the year ended 31 March 2017 and are performing the procedures outlined in our audit plan. Subject to satisfactory completion of the outstanding items we expect to issue an unqualified opinion on the Council's financial statements. However, it is possible that further matters requiring amendment may arise. We will provide an update to the General Purposes and Licensing Committee at its meeting on 25 September 2017.

The following matters are outstanding at the time of writing this report:

- ▶ Receipt of the signed Letter of Representation.
- ▶ Review of the final version of the financial statements.
- ▶ Completion of subsequent events review.
- ▶ Approval of the accounts by the General Purposes and Licensing Committee on 25 September 2017.

We expect to issue the audit certificate at the same time as the audit opinion after the Licensing and General Purposes Committee meeting on 25 September 2017.



## Executive Summary

### Executive summary (continued)

#### Audit differences - Unadjusted

Management produced a comprehensive set of draft accounts. There are no unadjusted audit differences.

#### Audit differences - Adjusted

There were no adjusted audit differences which we are required to report to the Licensing and General Purposes Committee. However, the Council made several amendments to its disclosures in the financial statements which are detailed in section 4 of this report.

#### Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial statements. This report sets out our observations and conclusions on these areas. Our consideration of these matters and others identified is summarised in the "Areas of audit focus" section of this report.

We ask you to review these and the other matters in this report to ensure that:

- ▶ there are no residual further considerations or matters that could have an impact on these issues;
- ▶ you agree with the resolution of the issue;
- ▶ there are no further significant issues known to you which need to be considered before the financial report is finalised.

There are no matters that we believe need to be brought to the Licensing and General Purposes Committee's attention, other than those reported by management or disclosed in this report.



# Executive Summary

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## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. Our review of the draft Annual Governance Statement (AGS) identified that some of the disclosures under the “Significant governance issues and major risks” section were not all relevant as some were too insignificant to disclose. The AGS was revised to reflect the appropriate significant governance issues and major risks faced by the Council.

For the Whole of Government Accounts, as the Council is below the specified audit threshold of £350 million, we did not perform any additional audit procedures on the consolidation pack. We have no matters to report.

## Value for money

We have considered your arrangements for taking informed decisions, deploying resources in a sustainable manner, and working with partners and other third parties. In our audit plan we identified no significant risk around these arrangements.

As discussed, in Section 5, our work did not identify any issues that we needed to report to you in terms of your arrangements to secure economy, efficiency and effectiveness in your use of resources.

## Control observations

We have adopted a fully substantive approach and so have not tested the operation of controls. As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Council's financial statements of which they are not aware. However we note some areas for improvement, covering the operation of the Councils governance, assurance and risk management processes, which are discussed in Section 7.

## Independence

Please refer to Appendix B for our update on independence. There are no issues to report.



02

## Areas of Audit Focus



## Audit issues and approach: Revenue recognition - significant risk

### Revenue Recognition

#### What are our conclusions?

Our testing has not identified any material misstatements with respect to revenue and expenditure recognition.

#### What is the risk?

##### Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Because the Council is required to meet its planned budget, there is both a financial and political incentive to avoid reporting a deficit position at the year end.

#### What did we do?

Our approach focused on:

- ▶ reviewing and testing revenue and expenditure recognition policies, to see if they would of themselves lead to over- or understatement of amounts;
- ▶ reviewing and discussing with management any accounting estimates on revenue or expenditure recognition for evidence of bias. We concentrated on estimates requiring more judgement by management, e.g. accruals;
- ▶ developing a testing strategy to test material revenue and expenditure streams. We looked at all material streams individually and completed sample testing tailored for the individual streams (e.g. where higher risk, more testing performed);
- ▶ reviewing the capitalisation of PPE to ensure it was valid capital expenditure and not revenue spend;
- ▶ reviewing and testing revenue cut-off at the period end date to ensure that transactions were entered in the relevant year (e.g. items were not deferred into the following year to improve the financial position; and

We found no issues to report.



## Areas of Audit Focus

# Audit issues and approach: Management override – significant risk

### Management override

#### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business

#### What is the risk?

##### Risk of management override

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

#### What did we do?

Our approach focused on:

- ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, e.g. senior managers entering journals (we would not normally expect this), journals posted at weekends and those not netting to zero, and journals with descriptions such as 'fraud' and 'error';
- ▶ reviewing accounting estimates for evidence of management bias in how they had been arrived at, e.g. understating assumptions about accruals, provisions and prepayments; and
- ▶ evaluating the business rationale for significant unusual transactions, e.g. individual material items, anomalies in accounting treatment, transactions put through the ledger at unusual times.
- ▶ we performed sample testing on additions to the property, plant and equipment balance and found that these items met the relevant accounting requirements to be capitalised.
- ▶ we performed sample testing on the existence and valuation of prepayments, the completeness and valuation of accruals and completeness of provisions and found no indication of management bias.

We found no issues to report.



# Areas of Audit Focus

## Audit issues and approach: Valuation of PPE – significant risk

### Valuation of PPE

This significant risk was not included in our audit plan and was identified on our review of the Council's draft financial statements

### What is our conclusion?

We have concluded that, overall, the basis of the valuation of the Council's Property, Plant and Equipment is appropriate at a financial statement level.

However, at a more detailed level the assumptions made by the Council's external valuers, Wilks, Head & Eve (WHE) would be more robust if better evidence was used in a number of areas.

### What is the risk?

The Council values a proportion of its Property, Plant and Equipment (PPE) assets every year so that all of its assets are valued on a five year cycle. Our review of the Council's draft 2016/17 financial statements showed that there was a £24.192 million upward revaluation of land and buildings compared to the Council's PPE asset opening balance of £67.455 million.

Given the significant increase of some £24 million, compared to our materiality of £1.325 million, we concluded that there was a significant risk of material misstatement in the valuation of assets. As part of seeking assurance over the risk we engaged the EY Real Estate Valuation specialists on the application of the Depreciated Replacement Cost (DRC) valuation methodology used by the Council's external valuers, Wilks, Head & Eve (WHE).

Our work focussed on the four PPE assets that represented the majority of the £24.192 million upward revaluation.

### What did we do?

Our Real Estate Valuation specialists:

- ▶ held various discussions with the Council's surveyor and building managers;
- ▶ completed corroborative procedures to identify the quantum of exposure concerned; and
- ▶ calculated an acceptable range of property values for each of the four assets.

Our specialists found that, overall, the asset values were within the EY acceptable range of valuations, as shown below.

	WHE Value	EY Overall range	Within range
Farnborough Leisure Centre	£15.08m	£13.47m to £20.93m	Yes
Aldershot Indoor Pool	£3.59m	£3.80m to £5.96m	Note 1
Aldershot Outdoor Pool	£8.24m	£3.48m to £5.82m	
Aldershot Dance Studio	£3.95m	£2.21m to £3.96m	Yes

Note 1: Combined WHE value for the two sites is £11.8m which is very close to the combined value of both our upper ranges for the site.

This is appropriate at a financial statement level, however the Council may wish to revisit the asset values recorded for these four assets in its fixed asset register. We have discussed the detailed findings with officers. The council also needs to add a disclosure regarding PPE valuation to Note 7: Major Sources of Estimation Uncertainty.



## Areas of Audit Focus

### Audit issues and approach: Other risk

#### Expenditure and funding analysis and comprehensive income and expenditure statement

#### What is the risk?

Amendments have been made to the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the '*Telling the Story*' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the Authority operates. We expect this to show the Authority's segmental analysis.

#### What did we do?

Our approach focussed on:

- ▶ review of the Expenditure and Funding Analysis, CIES and new notes to ensure disclosures are in line with the Code;
- ▶ review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- ▶ agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

We found that there were no issues with the revised Comprehensive Income and Expenditure Statement. However we identified areas where the Expenditure and Funding Analysis reported by the Council was not compliant with the Code. This was reported to management and the disclosure note has been amended and is now fully compliant.

#### What is our conclusion?

Our audit work did not identify any issues with the revised Comprehensive Income and Expenditure Statement.

However we identified areas where the Expenditure and Funding Analysis was not compliant with the Code and these have been subsequently amended.



## 03 Audit Report



# Audit Report

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

### Opinion on the Rushmoor Borough Council's financial statements

We have audited the financial statements of Rushmoor Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement; Movement in Reserves Statement; Balance Sheet; Cash Flow Statement; and the related notes 1 to 44 and the Collection Fund and related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

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

As explained more fully in the Statement of Responsibilities set out on page 15, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Rushmoor Borough Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Council's Statement of Accounts and Annual Governance Statement 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Rushmoor Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



# Audit Report

## Opinion on other matters

In our opinion, the information given in the Council's Statement of Accounts and Annual Governance Statement 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

### Council's responsibilities

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

### Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether the Rushmoor Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider



# Audit Report

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under the Code of Audit Practice in satisfying ourselves whether the Rushmoor Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

## Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Audit General in November 2016, we are satisfied that, in all significant respects, Rushmoor Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

## Certificate

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

Andrew Brittain (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Reading

26 September 2017

The maintenance and integrity of the Rushmoor Borough Council's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# 04 Audit Differences



## Audit differences

# Audit differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures, and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of unadjusted differences

There are no unadjusted differences to be reported.

### Summary of adjusted differences

There were no adjusted audit differences in the figures which we are required to report to the General Purposes and Licensing Committee. However, the Council amended its disclosures in the financial statements to include the following:

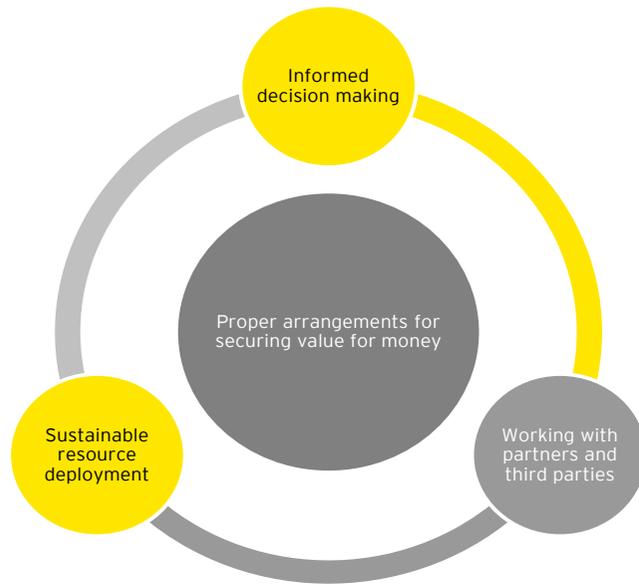
- **Note 3 - Expenditure and Funding Analysis:** This is a new disclosure note required in 2016/17 due to changes in the Code. The disclosure in the Council's draft accounts contained a number of inconsistencies with the Code. This was identified during the audit and the note has been amended by the Council and is now fully compliant.
- **Note 4 - Income and Expenditure by Nature:** This is a new disclosure note required in 2016/17 due to changes in the Code and was not included in the Council's draft accounts. This was identified during the audit and the accounts have been amended to include the required disclosure.
- **Note 7: Major Sources of Estimation Uncertainty:** The council needs to add a disclosure stating that the PPE valuation figures are based on assumptions and estimates and the effect there would be if the actual results differ from the assumptions.
- **Other:** Other minor amendments have been made following our audit procedures. These include a minor alteration to remuneration band table in note 34, an amendment to a related party figure in note 36 and increased disclosures in note 44.



# 05 Value for Money



## Value for Money



### Economy, efficiency and effectiveness

We are required to consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness in their use of resources. This is known as our value for money conclusion. Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

### Overall conclusion

We have considered your arrangements for taking informed decisions, deploying resources in a sustainable manner, and working with partners and other third parties.

In our audit plan we identified no significant risks around these arrangements. We have no issues that we needed to report to you in terms of your arrangements to secure economy efficiency and effectiveness in your use of resources.



06

## Other reporting issues



### Other reporting issues

#### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Rushmoor Borough Council's Financial Statements 2016/17 with the audited financial statements.

- We found that the financial information in the Rushmoor Borough Council's Financial Statements 2016/17 and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

- Our review of the draft Annual Governance Statement (AGS) identified that some of the disclosures under the "Significant governance issues and major risks" section which were not all relevant, as some were too insignificant to disclose. The AGS was revised to reflect the three appropriate significant governance issues and major risks faced by the Council.



# Other reporting issues

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

## Whole of Government Accounts

For the Whole of Government Accounts, as the Council is below the specified audit threshold of £350 million, we did not perform any additional audit procedures on the consolidation pack. We have no matters to report.

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you any findings from the audit or other matters significant to your oversight of the Council's financial reporting process. This includes the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Related parties;
- ▶ External confirmations
- ▶ Going concern;
- ▶ Consideration of laws and regulations;;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report; and
- ▶ Any other matters significant to the overseeing of the financial reporting process.

We have no matters to report.



07

## Assessment of Control Environment



## Assessment of control environment

### Control Environment

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as auditor is to consider whether the Council has adequate arrangements to satisfy itself that the systems of internal financial control are both adequate and effective in practice. As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Council's financial statements of which they are not aware. However we note four areas for improvement which we have identified as part of our work.

#### Observation 1: Revised Terms of Reference and work programme for the L&GP Committee

Following the committees restructure the L&GP Committee is responsible for carrying out the functions of an audit committee for the Council. Our review of its current Terms of Reference and output for 2016/17 showed that the Committee could be more effective if it followed CIPFA's best practice guidance for Audit Committee which includes (1) an agreed work programme for the year, (2) regular risk management updates, (3) self-assessment of its effectiveness and (4) production of an annual report of its achievements for Cabinet.

#### Recommendation

The Licensing and General Purposes Committee Terms of Reference should reflect those requirements of an audit committee as specified in CIPFA's Position Statement and guidance on Audit Committees to ensure that its work programme for the year covers all best practice requirements.

#### Observation 2: Mapping and reporting of the Council's Assurance Framework

The Council is lacking an overarching assurance framework which is a structured means of identifying and mapping the main sources of assurance, and co-ordinating them to best effect. The Council can then use this to effectively manage performance and risk through identifying and reporting on continuous improvement and areas where management need to focus their attention. A good assurance framework, if reported to the Council's L&GP Committee will provide wider assurance than controls, integrating financial, risk and performance measurements, independent assurance with VFM outcomes. It also underpins planning, performance management and risk management leading to a good understanding of how the Council achieves its objectives and addresses areas for improvement. This will be a useful investment and may reduce the amount of scrutiny committee time needed.

#### Recommendation

The Council should consider mapping its Assurance Framework, where it obtains its assurances, where there are gaps and risks to manage and actions to take. Also then agree on the reporting of this to the Licensing and General Purposes Committee, which will give members a clear view of how the Council is achieving its objectives and addressing areas for improvement.



# Assessment of Control Environment

## Control environment (continued)

### Observation 3: Review of Risk Management Framework

The Internal Auditor's Opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes provides underlying assurances for the Council's Annual Governance Statement. The Head of Internal Audit's Opinion for 2016/17 was based on eight reviews, six of which were financial system reviews. Improvements have been made in terms of to the planning and scoping of internal audit work for 2017/18, however there is no planned review of the effectiveness of the Council's Risk Management Framework.

The Council's Risk management framework was identified as a significant governance issue in both the 2015/16 and the 2016/17 Annual Governance Statements as the Council recognises that risk management needs to be better embedded within the Council. The Council is currently updating the Corporate Risk Register, risk policies and practice through its re-invigoration of the Risk Management Group. However the Risk Register still needs to be based on the risks around the delivery of the Council's strategic objectives.

#### Recommendation

Internal Audit should provide assurance over the adequacy of the Council's Risk Management Framework, to underpin the 2017/18 Annual Governance Statement, if they carried out a review of the Council's improved risk management arrangements before March 2018.

### Observation 4: Robust challenge of experts

The Council's valuers, Wilks, Head and Eve (WHE) estimated that there was a £24.192 million upward revaluation of land and buildings compared to the Council's PPE asset opening balance of £67.455 million. Given the significant increase of some £24 million, it appears that management did discuss the outcome of the valuation work with WHE, however management did not document how they were satisfied that the valuation estimates were reasonable. Also, given the differences identified in section 2 of this report, it is our view that the valuers need a more robust setting of scope and challenge process to ensure the valuation approach meets the individual circumstances of the assets being revalued.

#### Recommendation

Whilst appreciating that valuations are a matter of professional judgement, management should critically appraise the information provided to valuers to ensure it is accurate and understood, assess the methods and assumptions used against the accepted accounting practices and challenge where potential anomalies arise.

Management should then document their challenge of the significant estimates made by experts so they can satisfy themselves that the entries in the financial statements are reasonable.



## 08 Appendices



## Appendix A

# Required communications with the Council's Licensing and General Purposes Committee

There are certain communications that we must provide to the audit committees of UK clients. We have done this by:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Council of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	30 January 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	25 September 2017 Audit Results Report
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, to raise any doubt about the Council's ability to continue for 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	25 September 2017 Audit Results Report



# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Asking the Licensing and General Purposes Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any fraud that we have identified or information we have obtained that indicates that a fraud may exist involving:               <ul style="list-style-type: none"> <li>(a) management;</li> <li>(b) employees who have significant roles in internal control; or</li> <li>(c) others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ A discussion of any other matters related to fraud, relevant to the Licensing and General Purposes Committee responsibility.</li> </ul>	<p>We have asked management and those charged with governance about arrangements to prevent and/ or detect fraud.</p> <p>We have also focused our consideration of management override and revenue recognition towards higher risk areas, see Areas of audit focus in the report.</p> <p>We have not become aware of any fraud or illegal acts during our audit.</p>
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters to report
Subsequent events	<ul style="list-style-type: none"> <li>▶ Asking the Licensing and General Purposes Committee, where appropriate, about whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	We have made enquiries of management and those charged with governance. We have no matters to report
Other information	<ul style="list-style-type: none"> <li>▶ Where material inconsistencies are identified in other information included in the document containing the financial statements and management refuses to make the revision.</li> </ul>	We have no matters to report
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations



# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off.</li> <li>▶ Asking the Licensing and General Purposes Committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements.</li> </ul>	We have not identified any material instances or non-compliance with laws or regulations as a result of asking the Licensing and General Purposes Committee and management.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	25 September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that bear on EY's objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	30 January 2017 Audit Plan  25 September 2017 Audit Results Report
Fee Reporting	<p>Breakdown of fee information at the agreement of the initial audit plan</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work undertaken</p>	30 January 2017 Audit Plan  25 September 2017 Audit Results Report



## Independence

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We confirm there are no changes in our assessment of independence since the confirmation in our audit plan of 30 January 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your members consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of Licensing and General Purposes Committee on 25 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

The final fee has not yet been confirmed and will be discussed with officers if there are any changes.

	Final fee 2015/16	Planned fee 2016/17	Scale fee 2016/17	Final fee 2016/17
Audit fee - code work	49,838	49,838	49,838	49,838
Additional fee	0	0	0	3,791*
Total audit fee	58,490	57,349	57,349	53,629
Grant fee	8,652	7,511	7,511	7,511**

\* Our planned fee, reported in the Audit Plan presented to the Licensing and General Purposes Committee in January 2017 was £49,838. Our proposed final fee, of £53,629, will be confirmed following the presentation of this report at the Licensing and General Purposes Committee, and subsequent agreement with Public Sector Audit Appointments Ltd. We have discussed and agreed the additional fee of £3,791 for the work we have carried out on the valuation risk with the Head of Financial Services when we met on 6 September 2017.

\*\* The Final fee for grants depends on the outcome of the Housing Benefit audit.



# Appendix C: Management representation letter

## Management Representation Letter

[To be prepared on the entity's letterhead]

25 September 2017

Andrew Brittain  
Ernst & Young LLP  
Apex Plaza,  
Forbury Road ,  
Reading,  
Berkshire RG1 1YE

This letter of representation is provided in connection with your audit of the financial statements of Rushmoor Borough Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of (or 'present fairly, in all material respects,') the financial position of the Authority as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the



United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

#### **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

#### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

#### **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that you have requested from us for the purpose of the audit and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.



3. We have made available to you all minutes of the meetings of the Council, the Cabinet, and all committees including the Licensing and General Purposes Committee.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent,

#### **F. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **H. Comparative information - corresponding financial information**

1. Comparative amounts have been restated as a result of CIPFA's 'Telling the Story' review to improving the presentation of local authority financial statements.
2. The comparative amounts have been correctly restated to reflect the above matter and appropriate disclosure of this restatement has also been included in the current year's financial statements.
3. The Prior Year Adjustment relating to Section 106 contributions secured during 2015/16 disclosed in Note 2 of the 2016/17 Financial Statements has



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been correctly restated.

#### **I. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the Local Government Pension Fund balances and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### **J. Pensions Liability, PPE Valuations and NDR Appeals estimates**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

#### **K. Ownership of Assets**

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and council financial statements.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.



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## L. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

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Mandy Fahey  
Chief Financial Officer

I confirm that this letter has been discussed and agreed at the Rushmoor Borough Council's Licensing and General Purposes Committee on 25 September 2017.

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Councillor Adam Jackson  
Chairman of the Rushmoor Borough Council's Licensing and General Purposes Committee



# Appendix D: Accounting and regulatory update

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## Accounting update

Since the date of our last report to the Licensing and General Purposes Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Rushmoor Borough Council 
<i>IFRS 15 Revenue from Contracts with Customers</i>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> <li>▶ Leases;</li> <li>▶ Financial instruments;</li> <li>▶ Insurance contracts; and</li> <li>▶ for local authorities; Council Tax and NDR income.</li> </ul> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none"> <li>▶ There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.</li> </ul>	<p>Some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> <li>▶ Disaggregate revenue into appropriate categories</li> <li>▶ Identify relevant performance obligations and allocate income to each</li> <li>▶ Summarise significant judgements</li> </ul> <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council has yet to commence work in this area due to the timing of implementation.</p>



## Appendix D: Accounting and regulatory update (continued)

### Progress report on implementation of new standards and regulations

In previous reports to the Licensing and General Purposes Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures 	Impact on Rushmoor Borough Council 
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<ul style="list-style-type: none"> <li>▶ The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</li> </ul>	<p>These changes provide challenges for both the preparers and the auditors of the 2017/18 financial statements.</p> <p>To achieve this, the Council needs to take a number of steps as outlined below:</p> <ul style="list-style-type: none"> <li>▶ Critically review and amended the closedown process to achieve draft accounts production by the end of May 2018;</li> <li>▶ Streamline the Statement of Accounts removing non-material disclosure notes;</li> <li>▶ Re-order tasks from year-end to monthly/quarterly timing, reducing year-end pressure.</li> </ul> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> <li>▶ Issued a thought piece on early closedown</li> <li>▶ As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales</li> <li>▶ Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017</li> </ul> <p>Locally we have:</p> <ul style="list-style-type: none"> <li>▶ Had regular discussions through the year on the Council's proposals to bring forward the closedown timetable</li> <li>▶ Agreed areas for early testing with the Council.</li> </ul> <p>We look forward to continuing this productive working relation in 2017/18 when we expect to have audited the accounts by 31 July.</p>

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ED None

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## ANNUAL GOVERNANCE STATEMENT 2016 - 2017

### SUMMARY AND RECOMMENDATIONS:

The purpose of this report is

1. to seek approval of the Council's Annual Governance Statement 2016 – 2017 in light of the adoption by Council on 27 July 2017 of a revised Code of Corporate Governance, and
2. to agree to the publication of the Governance Statement alongside the Council's Statement of Accounts.

### 1. INTRODUCTION

- 1.1 Regulation 6(1) of the Accounts and Audit Regulations 2015, requires the Council to prepare an Annual Governance Statement.

### 2. BACKGROUND

- 2.1 At its last meeting, the Committee considered a draft Annual Governance Statement based on a revised Code of Corporate Governance, which at that time had yet to be adopted by Council. It was noted that final approval of the Statement would not be possible until the revised Code had been adopted. (Report LEG1710).
- 2.2 The Council at its meeting held on 27 July 2017 adopted the revised Code and therefore the Committee is now in a position to approve the Annual Governance Statement 2016 - 2017 based on the newly adopted Code.

### 3. CONTENT OF THE ANNUAL GOVERNANCE STATEMENT

- 3.1 The contents of the Annual Governance Statement has been further amended after Corporate Leadership Team undertook a review of the significant governance issues to be addressed in the forthcoming year. The principle areas of risk are now set out in the Governance Statement at Paragraph 6.1 as Risk Management, the General Data Protection Regulation and the Risk of Non – delivery of Key Projects. The Review of Policy Review Panels; the Review of Partnership Working and other items identified in the previous version will be undertaken within service areas but are not considered to be significant governance issues. The revised Annual Governance Statement for approval is as set out in the Appendix to this report.

3.2 The Leader of the Council and the Chief Executive are required to sign the Statement.

#### **4. RECOMMENDATION**

4.1 It is recommended that the Annual Governance Statement set out in the Appendix to this report be:

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

#### **BACKGROUND DOCUMENTS:**

Published documents

#### **CONTACT DETAILS:**

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

Tel: 01252 398600  
ann.greaves@rushmoor.gov.uk

## 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, properly accounted for, and provides value for money. 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. That duty has grown in importance with the reduction in resources being made available for Local Authorities.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.
- 1.3 The Council has established governance arrangements, which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Council Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance, which is publicised on the Council website. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with regulation 4(2) of the Accounts and Audit Regulations 2015 which requires all relevant public bodies to prepare an annual governance statement.
- 1.4 The Council meets the requirements of Regulation 6 (1)(b) of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the publication of a statement on internal control. It is subject to detailed review by the Licensing and General Purposes Committee when they consider both the draft and final Statement of Accounts and is approved by the Licensing and General Purposes Committee in advance of them agreeing the Statement of Accounts.
- 1.5 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 Chief Financial Officer (the Head of Financial Services) :
- Is a key member of the leadership team, helping to develop and implement strategy and deliver the Council's strategic objectives sustainably and in the public interest

- is actively involved in and able to influence all material business decisions in line with the Council's financial strategy;
  - leads the whole Council in the delivery of good financial management;
  - directs a fit for purpose finance function; and
  - is professionally qualified and suitably experienced.
- 1.6 In addition, the Head of Financial Services, (the designated Section 151 officer) attends the Directors Management Board for any item that requires Section 151 Officer input. All Statutory Officers have regular 1:1 sessions with the Chief Executive.
- 1.7 The issues identified as significant governance issues and the progress made by management throughout the future financial year 2017/18 to address these issues will be reported regularly to the Licensing and General Purposes Committee with an assessment made in reducing the risk as part of their Governance role within the Council.

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and 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, residents and service users. 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 services. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds, which it is entrusted to spend.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. 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 on-going 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 the impact should they be realised; and to manage them efficiently, effectively and economically (i.e. so they deliver value for money – efficiently, effectively and economically).
- 2.3 The governance framework which has been in place at the Council for the year ended 31st March 2017 has seen reports submitted to the Licensing and General Purposes Committee on the progress made on issues identified in the previous Annual Governance Statement and any ongoing issues are identified for consideration in this Statement

## 3. The Governance Framework

- 3.1 The Council is a Borough District, which was set up in 1974 combining the Urban Districts of Farnborough and Aldershot. The Council's strategic vision and corporate

objectives, including financial self-sustainability, are set out in the Council Plan. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

#### 4. Communicating the Council's Vision

4.1 The Council's vision is "*Rushmoor Borough Council working with others to improve the quality of people's lives*" as set out in the Council Plan 2017/18. The Council Plan has been informed 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. The Council's Executive has during the course of the last year, undertaken a major review of the Council's priorities based on the concept of "*Listen, Learn and Deliver- Better*", leading to the identification of four new priorities underpinning the Council's stated purpose. These are

- *Sustaining a thriving economy and boosting local business*
- *Supporting and empowering our communities and meeting local needs*
- *A cleaner, greener and more cultural Rushmoor*
- *Financially sound with services fit for the future*

4.2 These Priorities are underpinned by the 8-Point Plan for financial sustainability and by three key transformation projects: Organisational Development; Customer and Digital and Commercialism; and by the Council's Regeneration and Place Projects. The Council Plan sets out the key actions and activities that the Council will be pursuing to achieve these priorities. Regular monitoring reports to both Cabinet and Policy and Review Panels (scrutiny) will ensure performance is appropriately measured.

#### 5. Key elements of the Governance Framework

The key elements of the Council's governance framework are detailed against each principle in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government as follows:

##### **5.1 Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

5.1.1 The Council is managed by a cabinet system. The Council's Constitution 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 decisions 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>

- 5.1.2 The Council's Constitution details the role of the Policy and Review Panels performing scrutiny and overview functions. The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions.
- 5.1.3 The Head of Democratic and Customer Services, with advice from the Monitoring Officer keeps the constitution under review 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 consider changes to the constitution prior to submission to Council for adoption.
- 5.1.4 The Solicitor to the Council is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the Constitution. Heads of Service have the primary responsibility for ensuring decisions are properly made within the scheme of delegation at appropriate levels of responsibility.
- 5.1.5 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 expected of employees. These policies have been added to the Council's intranet and inserted into the Staff Handbook to increase awareness of their requirements. In order to enable third party challenge to Council operations there is a publicised complaints procedure, reviewed in 2016 to meet the Regulators Code and staff training has been undertaken on the revised procedure.
- 5.1.6 Complaints under the Code of Conduct for Councillors are initially assessed by the Monitoring Officer and the Chief Executive, following which, if appropriate, a panel of the Licensing and General Purposes Committee considers allegations of inappropriate behaviour by a Councillor. An Independent Person appointed under section 28 of the Localism Act 2011 provides appropriate scrutiny of the Council's Licensing and General Purposes Committee by sitting on the panel who hears any formal complaint. Reports for such hearings are produced by an independent investigator.
- 5.1.7 In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest, there is appropriate training provided to safeguard all parties against conflicts of interest. The Council has a cross-party Member Development Group, appointed by the Cabinet, with responsibility for the strategic planning of councillors' learning and development activities. In December 2016, the Council was re-awarded the South East Employers Charter for Member Development, following an assessment of the Council's approach to councillors learning and development support. This included support to the Council's new Cabinet, joint development activities with other local authorities and organisations, one-to-one mentoring with new councillors, work to understand skills for future

councillors and community leadership roles, and a varied and on-going programme of training activities including training on the code of conduct and for regulatory committees and hearings.

5.1.8 The current strategic plan for councillors' development includes the following:

- Assessment of training needs
- Members Induction Programme – including code of conduct training
- Programme that supports Corporate priorities and objectives
- Range of training and delivery methods including one-to-one mentoring with new Members and those in new Cabinet roles
- Training for Regulatory roles, including licensing and development management
- Skills which support councillors community leadership roles
- Review of Members IT support

5.1.9 Members take the lead in establishing this culture by completing an annual register of their interests which is published on the Council's website. Staff behaviour is covered by the Officers Code of Conduct which places duties on Officers to declare their standing interests or interests relating to matters as they arise. Both Members and Officers record any gifts and hospitality received in accordance with the Council's agreed procedure.

5.1.10 Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge which is essential in ensuring that the Council delivers its priorities, and will be vital in making both service changes and achieving financial sustainability. This is reflected in the Protocol for Member/Officer Relations which is part of the Council's constitution.

5.1.11 Appropriate briefings, supported by training from key officers and third parties to the Licensing and General Purposes Committee, are utilised to enhance the Governance Framework.

## **5.2 Principle B. Ensuring openness and comprehensive stakeholder engagement**

5.2.1 The Council's annual Council Plan sets out the Council's vision and priorities, assimilating them into key actions with deliverable outcomes. This links the objectives through to the outcomes, identifying the service areas responsible; key milestones and performance indicators. The Council works closely with the County Council and other local public bodies, particularly the Enterprise M3 Local Enterprise Partnership, neighbouring authorities, and community and voluntary groups, via the Community Matters Partnership and Rushmoor Voluntary Services, to ensure effective delivery of its services.

5.2.1 The Council Leader, on an annual basis presents to full Council the forthcoming priorities of the administration. This is used to influence the policies and strategies produced by the Council.

- 5.2.2 Progress on delivering the Council Plan is communicated through a performance management framework. In 2016/17 Cabinet received 6 monthly reports on performance against the Council Plan and these will be considered quarterly from 2017/18. These reports focus on exception and corrective measures where key performance indicators have not been met. The Policy and Review Panel's provide the scrutiny function on delivering the Council plan.
- 5.2.3 In order to demonstrate its openness the Council also publishes:
- Its Pay Policy Statement to support the Annual Budget
  - Its Constitution
  - Council, Cabinet and Committee Reports
  - Records of Executive Decisions
  - Cabinet Work Plan
  - Information required under the Transparency Code on the Data.Gov.uk website
- 5.2.4 All cabinet reports benefit from consideration by the Directors Management Board (DMB) and have Monitoring Officer and the Chief Financial Officer sign off before publication.
- 5.2.5 The Council believes that all people should have the opportunity to voice their opinions on issues that affect them. The Council adopted in April 2017 a Digital Strategy with a strong customer focus. This seeks to enable the delivery of the Council's work through the digital redesign of services around the customer experience to facilitate a "One Council Approach". This strategy requires the use of digital technologies to integrate front and back office systems and to join up customer contact(s). Analysis of customer data and interactions will be undertaken to gain insight and understanding of customer needs, enabling development of front office systems that can meet customer need. During 2016, the Council developed the "Love Rushmoor" mobile app to make reporting of issues simpler for residents.
- 5.2.6 The Council also uses traditional methods of communication with its residents 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.

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 advises as to how consultations are conducted.

### **5.3 Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

- 5.3.1 The Council Plan is supported by the 8 Point Plan which is a strategy to ensure financial and service sustainability, by reducing net revenue spend over the medium term, working towards meeting a £2.9 million reduction in the budget. The 8 point plan will be supported by the Council's Transformation Programme which is to be monitored by the Programme Steering Group. Within the Transformation Programme will be 3 work streams; Organisational Development; Customer and Digital; and Income Generation and Commercial- each led by a Senior Responsible Officer. Other major projects supporting the 8-point plan may fall under the Regeneration and Place programme or be held by services as part of their service delivery. Governance arrangements will be strengthened for all major projects via an improved traffic light system of highlight reporting and clear accountability.
- 5.3.2 In the past year, the Council has seen results from its 8-point plan, which has enabled it to strengthen its financial position and helped it to meet the pressures arising from future changes in central government funding, the economic climate and other known risks. The purchase of commercial property to increase rental streams to the Council has generated around £951,000 per annum gross income (before costs of borrowing and holding costs are taken into account). The increased focus on financial sustainability, via the Council's 8-point plan, the addition of more commercial income streams and greater communication of the financial position has seen a shift in culture throughout the organisation.
- 5.3.3 The Council continues to face significant financial challenges for the future and will continue with the financial strategy built around the Council's 8-point plan through the Transformation Programme, with the retention of sufficient reserves to support improvement and to mitigate fluctuations in income and expenditure, particularly from the operation of the business rates retention scheme.
- 5.3.4 Whilst operating within a constrained budget the Council Plan recognises the need to drive the regeneration of Aldershot and Farnborough Town Centres to deliver the environmental improvements, supporting the Town Centres. Financial resources have been committed to acquiring key properties in Union Street Aldershot Key Site to support the regeneration of Union Street which is unlikely to be achievable without Council intervention.
- 5.3.5 The Council has awarded its Waste, Recycling and Street Cleansing Contract commencing in August 2017 for a period of ten years to deliver high quality and best value services. This contract will deliver significant revenue savings on the current service which costs £4.5M per year. The Council will also provide a new depot to deliver the services from and to enable the development of a commercial portfolio to draw upon other revenue streams. The new service will have a comprehensive,

integrated ICT solution which will also deliver a customer self- service portal, and integrations with existing Council systems such as the mobile app.

- 5.3.6 The Council's Procurement Strategy recognises the importance of ethics and sustainability with appropriate evaluation of supplier's proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring. In 2017 the Council arranged a Property Minor Works Framework, ensuring best value and enabling council work to be awarded to SME's as part of measures being taken the Council Plan to support SMEs.
- 5.3.7 The Council has further demonstrated its support of sustainability through an appropriate programme of self-financing capital investment in renewable energy projects in Council owned properties.
- 5.3.8 The employer supported volunteering scheme helps the Council's employees to volunteer with organisations to compliment the work of the Community Matters Partnership. From using existing skills, to taking on a new challenge, the scheme gives staff the time and support to try volunteering for 2 days per year for full time staff.
- 5.3.9 The Council aims to make risk management, integral to the governance arrangements in the Council and the risk register and risk monitoring report is considered by the Licensing and General Purposes Committee. Controls Assurance is an important part of the process to assure the Council that the identified risks are being properly controlled. This is carried out at periodic intervals by:
- the Licensing and General Purposes Committee;
  - The Directors Management Board
  - Heads of Service
  - Head of Finance and Solicitor to the Council

The Council recognises that there is work to be done on a Risk Management Policy and the Council's Risk Management Group will be leading on this during the forthcoming year.

#### **5.4 Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome**

- 5.4.1 The Council's former Chief Executive retired in February 2017 and the new Chief Executive took up post in May 2017. The senior management structure of the Council was last reviewed in 2014/2015, which resulted in the revised role of DMB to enhance its strategic role and to devolve operational issues to Heads of Service. The DMB consists of two Corporate Directors and the Chief Executive. Any further review of the role of the Directors and the Senior Management Team, other than minor changes, will take place as part of the Organisational Redesign and Cultural Change Project, set within the Transformation Programme.

- 5.4.2 Arrangements are in place to scrutinise decisions and an excellent relationship between Officers and Members existing based on mutual trust. That trust is maintained by openness and appropriate arrangements to ensure the involvement of all relevant parties at the right level of responsibility, ensuring all strategic decisions are led by Members. The implementation of the agreed policies at officer level is overseen by DMB which is supported by Senior Management Team.
- 5.4.3 In order to achieve its approach to maintaining financial sustainability over the medium – term as set out in the Council’s Medium –Term Financial Strategy, the Council has set a budget for the financial year 2017/18 supported by an appropriate assessment of risk by the Head of Finance. The budget proposals were presented to business ratepayers and voluntary sector organisations. The budget increases the council tax up to the maximum permissible level and reflects the expected growth in local business rates. The Council accepted the four-year settlement figure offered by government to aid financial planning, which figures confirmed the significant reduction in central government funding around the Revenue Support Grant. New Homes Bonus has also been sharply reduced. Key efficiencies and sustainability projects will be supported by continued use of the Service Improvement Fund and the Strategy for the Flexible use of Capital Receipts and driven by existing projects within the Council’s 8-Point Plan. The savings requirement for current financial year (2017/18) is £550,000.
- 5.4.4 All key decisions to be taken by Cabinet are included in the Cabinet Work Programme, which is published and available to the public. Executive decisions taken under delegated powers, by either officers or individual Cabinet members, are recorded and are available for viewing on the Council’s website.
- 5.4.5 The Licensing and General Purposes Committee is an essential part of good governance. This committee was formed from an amalgamation of the Licensing and General Purposes Committee and the Standards and Audit Committee from the start of the 2016/17 municipal year, following an observation from the Council’s external auditors that to accord with best practice, the Council should ensure the oversight and consideration of governance issues, associated with internal control, risk management and financial reporting was assigned to one committee. The Licensing and General Purposes Committee has considered the progress made on issues highlighted in the Annual Governance Statement 2015/16. Internal and External Audit both have direct access to and support the Licensing and General Purposes Committee. The detailed matters reviewed by the Licensing and General Purposes Committee were:
- Treasury Management matters including Council borrowing;
  - Earmarked Reserves;
  - Future Internal and External Audit Work
  - The findings of both External and Internal Audit on control matters
  - The Statement of Accounts for 2015/16 and associated external audit findings.

Scrutiny of budget matters falls within the remit of the Corporate Services Policy and Review Panel with the member Budget Working Group have assisted in the preparation of the budget. This ensures openness and transparency in the way in which Officers/Members engage and have ownership in the budget challenge process.

- 5.4.6 The Licensing and General Purposes Committee is also responsible for councillor conduct issues. The Monitoring Officer and Chief Executive conduct an initial assessment into complaints under the Members Code of Conduct, with hearings being held before 3 members of the Licensing and General Purposes Committee, following an independent investigation. Where appropriate matters are reported and considered by full Council.
- 5.4.7 All Heads of Service prepare Service Plans that contain key actions and performance targets necessary to deliver the objectives of the Council.

**5.5 Principle E – Developing the entity’s capacity including the capability of its leadership and the individuals within it.**

- 5.5.1 To support the achievement of its strategic priorities, the Council is committed to ensuring it has the right people with the right skills, and is undertaking a skills audit. The broader development and the corporate needs of the Council’s staff were considered and prioritised by the Senior Management Team in September 2016 resulting in a Learning and Development programme for 2017/18 based on the needs of staff, the Council and project work linked to the Council’s 8-Point Plan on financial sustainability. The programme covers Digital and Social Media ; Commercial skills and Political Skills, supported by working differently and learning from each other; leadership and management skills ; project and programme management and understanding and working with the community.
- 5.5.2 This programme is supported within a performance framework covering all officers, including a Development Review system with targeted, relevant training. The Human Resources Policy and Procedures setting out the appointment process are transparent.

There are regular team meetings, and one to ones within services to support staff. The Council implements the national agreement on pay and conditions of service. The Council has achieved its commitment to pay the Foundation Living Wage for all staff other than casual staff. The Council provides an Employee Assistance Programme to assist staff in balancing the pressures of work with the needs of home life, including a confidential telephone service. The Council, acting through its Chief Executive, provides regular staff briefings and a weekly newsletter.

- 5.5.3 The Council has a protocol for Member / Officer Relations which ensures an understanding between elected members and officers of their respective role and that a shared understanding of these roles and objectives is maintained.

- 5.5.4 Significant delegated executive decisions are publically available on the internet.
- 5.5.5 To support decision making the Council works with its Partners to maintain accurate and timely data to ensure decisions are based on a comprehensive understanding of financial costs and performance. Certain key partners such as partner Housing Associations and the North East Hampshire and Farnham Clinical Commissioning Group, who provide essential Council Services, are subject to independent oversight by Policy and Review Panels.

## **5.6 Principle F – Managing risks and performance through robust internal control and strong public management**

- 5.6.1 The Chief Executive of Rushmoor Borough Council is the Head of Paid Service and is part of the Directors Management Board (DMB) and Senior Management Team (SMT). Cabinet portfolios are assigned on a functional basis and subject to appropriate officer support.
- 5.6.2 As part of the budget process opposition parties have the facility to prepare alternative proposals under the procedure in the Budget and Policy framework which forms part of the constitution.
- 5.6.3 The Head of Finance is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services are provided direct, and work towards Public Sector Internal Audit Standards. The Head of Internal Audit (HIA) reports to the CFO and has unfettered access across the organisation, including to the Chief Executive, the Board and the chair of Licensing and General Purposes Committee. The HIA attends Directors Management Board on a regular basis to provide updates against the audit plan, to raise awareness of risk and present the audit opinion.
- 5.6.4 The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures, within the Constitution, which comply with good practice. Control is based on regular management information, management supervision, and a structure of delegation and accountability. In October 2015, a review was carried out to determine the need for anti-fraud and investigatory resources within the Council, within the Benefits arena but also wider across the organisation. As a result, two Corporate Investigation Officer roles were introduced on a trial basis to support the need for the Council to maintain adequate investigative capacity in a period of financial constraint, provide a deterrent to committing fraud and use their unique investigative skills to support a number of key organisational priorities. The Cabinet reviewed the outcomes of the trial period in April 2017, and due to its success made the roles permanent.
- 5.6.5 The Licensing and General Purposes Committee has 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. 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. The Council's policy on risk is under review and will set out the Council's overall approach to managing risk. A cross-service group of senior managers is working to update the Corporate Risk Register and risk policy, updating policies and procedures, holding risk workshops run by the Council's insurers and ensuring implementation of policies across the Council. The Council's Corporate Health and Safety Officer attended training on Risk Management in May and is co-ordinating the approach to both Corporate Risk Register and the Business Continuity Plan. The Head of Financial Services will report on progress to Directors Management Board and the Licensing and General Purposes Committee. The Council has in place a Business Continuity Plan which was reviewed during 2016/17.

5.6.6 Each year new Members of the Council are inducted prior to the Council's Annual General Meeting (AGM). This is of vital importance, given the technical complexity of the Council's core operations, the decision making structure and the financial value of the transactions controlled by the Council. All Statutory Officers receive training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.

5.6.7 The Cabinet meets on a monthly basis at set times to consider key matters including those on performance and risk. All reports contain a section advising on risks. Matters are published in the Cabinet Work Plan to enable the public to be aware of future decisions. In the event of an urgent item requiring a decision not published in the Cabinet Work Plan, the agreement of the Chair of the relevant Policy and Review Panel must be obtained to exempt the decision from agreed scrutiny protocols. Arrangement for Urgency and Exceptions are set out in the appendix to the Access to Information Procedure Rules in Part 4 of the Council's Constitution.

5.6.8 In addition to the quarterly performance reports, there are quarterly financial reports submitted to Cabinet detailing estimated out-turn against the approved budget. The annual budget is supported by the Head of Finance commenting upon its deliverability and is supported by an appropriate reserves policy. The final accounts, of which this statement is an integral part, outline the out-turn of the Council and are prepared in accordance with professional standards and subject to external audit.

5.6.9 In order to demonstrate robust internal control the Council has:

- A cross-service group of senior managers is working to update the Corporate Risk Register and risk policy,
- An appropriate suite of Anti-Fraud and Corruption Policies;
- Assurance provided by the Head of Internal Audit through the Audit Opinion
- Assurance provided via the external auditor's Annual Audit Results Report
- A balanced budget supported by appropriate reserves
- Licensing and General Purpose Committee supported by an Independent Member

## **5.7 Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability**

5.7.1 The Council is proactive in engaging with residents and other key stakeholders whose views are reflected in the refreshed Council Plan. In 2016/17 after engaging and communicating with key stakeholders, the Council formed a cross party group, the Aldershot Regeneration Task Force, to drive forward the regeneration of the town centre. Aldershot is a Step-up Town for the sub region and the Council, and partners, including the Enterprise M3 Local Enterprise Partnership, is working to secure a growth package of investment for the town.

5.7.2 As part of the Transparency Agenda the Council agreed to publish Senior Officer salaries over £50,000 and invoices over £250 on its web site. As part of this process, improvements have been made to internal control procedures on procurement, which ensure Commissioning and Procurement is fair, transparent, ethical and based on the needs of the community and an understanding of the market place. The Council is attentive to the need to meet wider social and economic objectives whilst achieving value for money (VfM).

The Council, as part of the Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement during 2017/18 to further support the Council's preference for openness and transparency.

5.7.3 Apart from regular liaison with key Government bodies the Council is also fully engaged with the Local Government Association (LGA). 5.7.4 External Audit is provided by Ernst & Young LLP, utilising the contracts initially let by the Audit Commission. Management of contracts with audit firms for the delivery of external audit services to local public bodies is now held by Public Sector Audit Appointments Limited (PSAA). The audit is conducted with regard to the Code of Practice produced by the National Audit Office.

### **Partnership Arrangements**

5.7.4 The Council delivers its CCTV service, Community Safety service and its Building Control Service in partnership with Hart District Council with shared funding. The review of the effectiveness of the system of internal control of these Partnerships will be subject to review in this municipal year.

### **Risks on Significant Projects**

5.7.5 The Council has some significant projects which are included in the capital programme. These may require considerable levels of one-off funding from the Council. The Council has now utilised the bulk of its capital receipts to support the capital programme, much of which will be funded by borrowing in forthcoming years, with consequential effects on the revenue budget in terms of borrowing costs and minimum revenue provision. Affordability of the programme is addressed via the

Annual Treasury Management Strategy and the Prudential Indicators for Capital Financing.

Given the complexity of some projects, particularly the Town Centre regeneration projects, there remains an on-going risk in respect of the long-term financial commitments arising from these projects. The Head of Finance considers this financial risk as part of the Medium Term Financial Strategy and the budget report. Individual reports to support investment in projects have been prepared in 2016/17 for consideration by Cabinet with appropriate comments by key officers to enable appropriate consideration of the issues including risks before a decision is made.

- 5.7.6 The issues on both partnership risk and project risk have been incorporated into this governance statement where necessary.

## 5.8 Review of Effectiveness

- 5.8.1 The Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment; and comments made by the External Auditors and other review agencies and inspectorates.
- 5.8.2 The Council Plan and objectives are established for 2017/18 through an updated Business Planning process and a refresh of the Council Plan, which also sets out the framework for the work programme focusing predominantly on achieving efficiencies and transformation of services, where the most significant savings may be made. That is developed in tandem with the Annual Budget Cycle, Efficiency Plan, and the Medium Term Financial Plan (MTFP), underpinned by adequate reserves to support financial resilience.
- 5.8.3 An internal audit programme is undertaken, which in the current year has focused on key items of risk in the Audit Plan. The risk universe has been updated to show auditable areas as at January 2017 and the risk criteria have been reviewed to ensure the capture of all relevant areas to be considered in determining the level of risk exposure within an auditable area. Internal Audit reports to the Licensing and General Purposes Committee in relation to the Audit plan, progress against the plan, the audit opinion on the system of internal control and any risk issues. A new rolling audit plan has been developed for 2017/18, with quarterly updates to both Directors' Management Board and the Committee.
- 5.8.4 An external audit of the accounts year ending 31st March 2016, undertaken by Ernst and Young LLP, was reported to the Licensing and General Purposes Committee in September 2016, which provided an Unqualified Opinion that the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended. External audit attend the Committee on a regular basis to discuss the external audit plan, progress against the plan, audit fees and the Audit Results Report. In May 2017 L&GP

received an audit report from External Audit advising that the progress of the Council against the PSIAS self-assessment should be reported within the Annual Governance Statement as well as the revised future reporting lines of the Audit team. The Audit team now report to the Chief Financial Officer while maintaining unfettered access across the organisation, in particular to the Chief Executive, the Leadership team and the chair of Licensing and General Purposes Committee. In addition, Ernst and Young provide updates on key risks for local government, enabling the committee to be sited on wider risks affecting the sector and prompting discussion and consideration of how those risks are managed at Rushmoor.

## 6. Significant Governance Issues

6.1 The Annual Governance Statement identifies the following governance issues and major risks for the Council. These are:

### 2016/17 Issues

GOVERNANCE ISSUE	ACTION	RESPONSIBLE OFFICER
Risk Management	Review and update the Risk Management Policy, the Corporate Risks Register and Adopt an Asset Management Strategy	Head of Financial Services
EU General Data Protection Regulation	Review and prepare for changes to the data protection regime	Deputy Monitoring Officer
Risk of non-delivery of key projects (to meet Council's aims and its future financial sustainability)	Embed new governance processes for Transformation Programme and Regeneration and Place work stream, including full project scoping (robust cost estimates, benefit identification, resourcing requirements) and updated highlight reporting methodology	Corporate Directors

## 7. Summary

7.1 The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our residents and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Council's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continuously throughout the year.

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LICENSING AND GENERAL  
PURPOSES COMMITTEE  
25 SEPTEMBER 2017

SOLICITOR TO THE COUNCIL'S  
REPORT NO. LEG1714

## ANNUAL REVIEW OF THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN

### SUMMARY AND RECOMMENDATIONS:

The purpose of this report is to update the Licensing and General Purposes Committee on the annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGSCO).

### 1. BACKGROUND

The LGO conducts independent, impartial investigations of complaints about service failure and maladministration. Where complaints arise regarding RBC there is a two-stage formal complaints procedure. Only after the completion of these stages, if the complainant is still dissatisfied then they have the option is to complain to the Local Government Ombudsman. If the ombudsman finds maladministration causing injustice, then he makes recommendations for a remedy to redress the injustice. The LGO can also recommend changes to policy and practice to address wider systemic failures.

The LGO now includes 'Social Care Ombudsman' in its name and logo. This is in response to feedback, which suggested that the current name acted as a barrier to recognition within the social care sector.

### 2. THE ANNUAL REVIEW

In addition to the 2016/17 annual letter, the LGSCO provided spreadsheets detailing additional information on the complaints and enquiries received within the period, and information on the decisions made in the period. This is detailed in appendix A.

#### 2.1 Complaints Received

From 5<sup>th</sup> April 2016 until 20<sup>th</sup> March 2017, the LGSCO received a total of 7 complaints against Rushmoor Borough Council. Two of these were referred back to the Council for local resolution without further action being taken by the ombudsman. The remaining 5 complaints were generated from Environmental Health- one ; Planning- three and Revenues and Benefits one.

#### 2.2 Complaints Decided

The complaints received against RBC were decided as follows:

- Three complaints were closed after initial enquiries without any investigation having been undertaken. This would have been either because the complaint fell outside the jurisdiction of the LGSCO so that it could not be lawfully investigated, or that there were insufficient grounds for an investigation.
- The two remaining complaints were not upheld

### **3. CONCLUSIONS**

The LGSCO report therefore concludes that Rushmoor Borough Council has a 0% uphold rate, out of seven complaints made against it. The uphold rate is calculated in relation to the total number of detailed investigations. This continues the uphold rate from the previous year and is indicative that the Council's complaints system is working well and that complaints are properly addressed when they occur.

### **4. RECOMMENDATION**

It is recommended that the report be noted.

### **CONTACT DETAILS:**

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

Tel: 01252 398600  
ann.greaves@rushmoor.gov.uk

## Appendix A:

**Local Authority Report:** Rushmoor Borough Council  
**For the Period Ending:** 31/03/2017

For further information on how to interpret our statistics, please visit our website:  
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

### Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	1	0	0	1	0	0	3	0	5

### Decisions made

Decisions made				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	0	2	3	2	0	0%	7

#### Notes

Our uphold rate is calculated in relation to the total number of detailed investigations. The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

#### Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement
0	0

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