

**People and  
Communities**



**Prosperity**



**Place**



**Leadership**



**Good Value  
Services**

# **Draft Statement of Accounts**

## **2015 - 16**

**RUSHMOOR**  
BOROUGH COUNCIL



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**The Authority's Responsibilities**

The Authority is required to:

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

**The Chief Financial Officer's Responsibilities**

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

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

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

**The Chief Financial Officer has also:**

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

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

**Amanda Fahey**

**Chief Financial Officer**

**Date:**        30th June 2016

# **Movement in Reserves Statement**

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

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

# Comprehensive Income and Expenditure Statement

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

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

# **Balance Sheet**

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

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

Amanda Fahey

Chief Financial Officer

Date: 30th June 2016



**Cash Flow Statement**

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

<b>2014/15 £'000</b>	<b>Cash Flow Statement</b>	<b>2015/16 £'000</b>
(2,081)	Net surplus or (deficit) on the provision of services	(6,767)
17,177	Adjustments to net surplus or deficit on the provision of services for non cash movements - see Note 24	(5,604)
(198)	Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities - see Note 25	(149)
<b>14,898</b>	<b>Net cash flows from Operating Activities</b>	<b>(12,520)</b>
(11,893)	Investing Activities - see Note 27	4,936
404	Financing Activities - see Note 28	6,923
<b>3,409</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(661)</b>
4,049	Cash and cash equivalents at the beginning of the reporting period	7,458
<b>7,458</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>6,797</b>

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

## 1 Accounting Policies

### i. General Principles

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

### ii. Accruals of Income and Expenditure

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

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

### iii. Cash and Cash Equivalents

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

### iv. Exceptional Items

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

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

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

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

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

#### **vi. Charges to Revenue for Non-Current Assets**

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

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

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

#### **vii. Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Benefits**

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

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

##### **Post Employment Benefits**

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

#### The Local Government Pension Scheme

The liabilities of the Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. The assets of Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value. The change in the net pensions liability is analysed into the following components:

#### Service cost comprising:

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

#### Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Hampshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### Discretionary Benefits

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

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

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

#### Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

#### **ix. Financial Instruments**

##### **Financial Liabilities**

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

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

##### **Financial Assets**

Financial assets are classified into two types:

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

##### **Loans and Receivables**

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

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

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

#### Available for Sale Assets

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

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

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

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

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

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

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

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

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

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

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



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

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

## **xii. Heritage Assets**

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

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

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

### **• Civic Regalia**

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

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

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

### **• Memorials and Statues**

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

Memorials and statues are on public display.

### **Heritage Assets – General**

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

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

**xiii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. The Council does not have any internally generated intangible assets. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**xiv. Inventories**

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

**xv. Investment Property**

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

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

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

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

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

**xvii. Leases**

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



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

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

#### The Council as Lessee

##### Finance Leases

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

Lease payments are apportioned between:

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

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

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

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### The Council as Lessor

##### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve.

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

#### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to either the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement or the relevant service line in the net cost of services. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### **xviii. Overheads and Support Services**

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

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

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

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

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

#### **xix. Property, Plant and Equipment**

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

##### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably (subject to a de minimus capitalisation threshold of £10,000). Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

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

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

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

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

### Depreciation

Depreciation is provided for on all material Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives.

An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer

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

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

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

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

#### Disposals and Non-current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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

##### Provisions

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

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

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

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

#### **Contingent Liabilities**

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

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

#### **xxi. Reserves**

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

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

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

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

#### **xxiii. VAT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



### **3 Critical judgements in applying accounting policies**

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

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

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts on page 1.

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Pensions liability</b>	At 31st March 2016, the net Pensions Liability was £43.3 million. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured (the impact of changes in assumptions are outlined in note 38). For example, a 0.1% increase in the discount rate assumption would result in a reduction of £60k on the projected service cost.</p> <p>However, the assumptions interact in complex ways. During 2015/16, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had decreased by £3.97 million due to changes in financial assumptions. Many of the financial assumptions are linked to current market conditions. Conversely, the same measurement increased by £11.4 million in the previous year.</p>

#### 5 Events after the balance sheet date

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

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

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



6	<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>For the year 2014/15</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Adjustments primarily involving the Capital Adjustment Account</b>				
	<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
	Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	1,740	-	-	(1,740)
	Revaluation losses on Property, Plant and Equipment	1,244	-	-	(1,244)
	Movements in the market value of Investment Property	(112)	-	-	112
	Amortisation of Intangible Assets	190	-	-	(190)
	Capital grants and contributions applied	(325)	-	-	325
	Revenue expenditure funded from capital under statute	638	-	-	(638)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	150	-	-	(150)
	<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
	Statutory provision for the financing of capital investment	(273)	-	-	273
	Capital expenditure charged against the General Fund	(390)	-	-	390
	<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(160)	160	-	-
	Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,101)	-	1,101
	<b>Adjustments primarily involving the Pensions Reserve:</b>				
	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	3,320	-	-	(3,320)
	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,842)	-	-	1,842
	<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
	Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(8,490)	-	-	8,490
	<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
	Amount by which Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	-	-	(2)
	<b>Total Adjustments</b>	<b>(4,308)</b>	<b>(941)</b>	<b>-</b>	<b>5,249</b>

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

## 7 Transfers to/from earmarked reserves

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

<b>Earmarked Reserves</b>	<b>Balance as at 31 March 2014 £'000</b>	<b>Transfer Out 2014/15 £'000</b>	<b>Transfers In 2014/15 £'000</b>	<b>Balance as at 31 March 2015 £'000</b>	<b>Transfer Out 2015/16 £'000</b>	<b>Transfers In 2015/16 £'000</b>	<b>Balance as at 31 March 2016 £'000</b>
Business Rates Retention Reserve	3,586	(3,586)	-	-	-	-	-
Stability and Resilience Reserve	2,387	(2,387)	-	-	-	3,808	3,808
Commuted Sums/Amenity Areas	1,014	(40)	304	1,278	(50)	691	1,919
Mercury Abatement	-	-	-	-	-	484	484
Service Improvement Fund	1,111	(224)	-	887	(440)	-	447
Insurance Reserve	280	-	-	280	(27)	-	253
Civil Parking Enforcement Surplus	-	(99)	150	51	-	160	211
Cohesion/Migration Impact/Gurkha Settlement	423	(114)	5	314	(131)	12	195
Other Grants (Individually below £30k)	173	(42)	75	206	(63)	-	143
Budget Carry Forwards	171	(171)	150	150	(150)	91	91
TAG Environmental Fund	70	-	6	76	-	7	83
Drug & Alcohol Support	-	-	75	75	-	-	75
Housing & Planning Delivery Grant	142	(142)	122	122	(56)	-	66
Land Charges	65	-	-	65	0	-	65
Developing Our Communities	94	(19)	(5)	70	(34)	-	36
Individual Electoral Registration	-	-	37	37	(22)	-	15
<b>Total of all Earmarked General Fund Reserves</b>	<b>9,516</b>	<b>(6,824)</b>	<b>919</b>	<b>3,611</b>	<b>(973)</b>	<b>5,253</b>	<b>7,891</b>

## 8 Other Operating Expenditure

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

**9 Financing and Investment Income and Expenditure**

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

**10 Taxation and Non-specific Grant Income and Expenditure**

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

## 11 Property, plant and equipment (PPE)

## Movements on balances in 2014/15

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

## 11 Property, plant and equipment (PPE)

## Movements on balances in 2015/16

	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£'000	£'000	£'000	£'000	£'000
<b><u>Cost or valuation</u></b>					
As at 1 April 2015	<b>58,089</b>	<b>6,909</b>	<b>2,746</b>	<b>194</b>	<b>67,938</b>
Additions	1,254	155	128	5	1,542
Revaluation increases recognised in the Revaluation Reserve	4,500	-	-	179	4,679
Revaluation decreases recognised in the Revaluation Reserve	(1,092)	-	-	-	(1,092)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(5,021)	-	-	-	(5,021)
Derecognition - Disposals	-	(591)	-	-	(591)
<b>As at 31 March 2016</b>	<b>57,730</b>	<b>6,473</b>	<b>2,874</b>	<b>378</b>	<b>67,455</b>
<b><u>Accumulated Depreciation</u></b>					
As at 1 April 2015	(16,024)	(4,651)	-	-	(20,675)
Depreciation - annual charge	(1,483)	(585)	-	-	(2,068)
Depreciation regarding revaluations written out	3,051	-	-	-	3,051
Derecognition - Disposals	-	591	-	-	591
<b>As at 31 March 2016</b>	<b>(14,456)</b>	<b>(4,645)</b>	<b>-</b>	<b>-</b>	<b>(19,101)</b>
<b>As at 31 March 2016</b>	<b>43,274</b>	<b>1,828</b>	<b>2,874</b>	<b>378</b>	<b>48,354</b>
<b>As at 31 March 2015</b>	<b>40,397</b>	<b>2,630</b>	<b>2,551</b>	<b>344</b>	<b>45,922</b>

Depreciation

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

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

Capital Commitments

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

## 11 Property, plant and equipment (PPE)

### Effects of Changes in Estimates

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

### Revaluations

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

## 12 Heritage assets

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

### Civic regalia

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

### Memorials and Statues

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

### Memorials and Statues

There were no additions made during 2015/16.

Intangible Heritage Assets

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

Heritage Assets – Five Year Summary of Transactions

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

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

### 13 Investment Property

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

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



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

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

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

#### Fair Value Hierarchy

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

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

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

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

#### Valuation Process for Investment Properties

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

<b>Categories of Investment Property</b>	<b>31st March 2016 £'000</b>
Commercial/Industrial Units	14,276
Land leased out for use	2,031
Mobile Home Units	499
Office Units	1,407
Shopping Units	7,968
<b>Total of all investment properties</b>	<b>26,181</b>

## 14 Interests in Jointly Controlled Operations

### Jointly Controlled Operations

#### Community Safety Service

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

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

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

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

<b>Project</b>	<b>Balance as at 1st April 2014</b>	<b>2014/15 Project Income</b>	<b>2014/15 Project Exp</b>	<b>Balance as at 31st March 2015</b>	<b>2015/16 Project Income</b>	<b>2015/16 Project Exp</b>	<b>Balance as at 31st March 2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Challenge & Change and OPS Stronghold	9	0	(4)	5	0	(3)	2
Anti Social Behaviour & Night Time Economy	20	0	(17)	3	0	0	3
NE Hants Drug & Alcohol Action Group (DAAG)	(1)	0	0	(1)	0	1	0
Bike Project	0	4	0	4	0	0	4
Education Programme	0	20	(10)	10	0	(4)	6
OP Moat	0	7	0	7	0	(5)	2
Victim Support	0	26	(14)	12	0	(12)	(0)
LIBOR Fund	58	0	(27)	31	0	(11)	20
Community Development	0	0	0	0	20	(6)	14
Domestic Violence	0	0	0	0	0	(11)	(11)
Restorative Justice	0	0	0	0	26	(3)	23
Victim Needs Project	0	0	0	0	13	0	13
Speedwatch	0	0	0	0	4	0	4
Other	0	0	(4)	(4)	0	2	(2)
	86	57	(76)	67	63	(52)	78

CCTV Service

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

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

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

Building Control Service

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

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

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

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

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

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

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

## 15 Intangible assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets consist of purchased licenses only. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is five years.

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

### Capital Commitments

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

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

## 16 Financial Instruments

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

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

	Long-term 31st March 2015 £'000	31st March 2016 £'000		Current 31st March 2015 £'000	31st March 2016 £'000
<b>Investments</b>					
Loans and Receivables					
Fixed Rate Investments	-	2,000		17,059	4,016
Government Stocks	2	-		-	-
Available for Sale Financial Assets					
Pooled Funds/Collective Investment Vehicles	22,439	25,565		132	1,167
<b>Total investments</b>	<b>22,441</b>	<b>27,565</b>		<b>17,191</b>	<b>5,183</b>
<b>Debtors</b>					
Loans and Receivables					
Debtors due within 1 year*	-	-		3,096	3,753
Long Term Debtors	132	182		-	-
<b>Total Debtors</b>	<b>132</b>	<b>182</b>		<b>3,096</b>	<b>3,753</b>
<b>Cash and Cash Equivalents</b>					
Loans and Receivables					
Short term cash deposits	-	-		8,190	6,200
Cash and Cash at Bank	-	-		6	623
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>		<b>8,196</b>	<b>6,823</b>
<b>Borrowings</b>					
Financial liabilities at amortised cost					
Bank Overdraft	-	-		738	26
Borrowing	-	4,121		-	579
<b>Total borrowings</b>	<b>-</b>	<b>4,121</b>		<b>738</b>	<b>605</b>
<b>Other Long Term Liabilities</b>					
Finance lease liabilities	280	-		-	-
<b>Total other long term liabilities</b>	<b>280</b>	<b>-</b>		<b>-</b>	<b>-</b>
<b>Creditors</b>					
Financial liabilities carried at contract amount**	-	-		2,762	3,087
<b>Total Creditors**</b>	<b>-</b>	<b>-</b>		<b>2,762</b>	<b>3,087</b>

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

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

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

#### Income, Expense, Gains and Losses

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

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

2015/16	Financial Liabilities: Amortised Cost £000	Financial Assets		Total £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>-</b>	<b>157</b>	<b>735</b>	<b>892</b>

#### Fair Value of Financial Assets

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

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

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

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

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

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2).

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

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

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

## 17 Debtors

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

## 18 Cash and Cash Equivalents

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

## 19 Creditors

2014/15 £'000	Creditors	2015/16 £'000
11,434	Central government bodies	2,596
3,665	Other local authorities	1,826
12	Council tax	12
712	NDR	423
2,134	Other entities and individuals	2,210
1,113	Income in advance	1,130
<b>19,070</b>	<b>Total creditors</b>	<b>8,197</b>



## 20 Provisions

### Short term Provisions

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

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

### Long term Provisions

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

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

## 21 Other Long Term Items

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

  

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

## 22 Usable Reserves

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

## 23 Unusable Reserves

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

### Revaluation Reserve

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

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

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

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

Capital Adjustment Account

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

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

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

Available for Sale Financial Instruments Reserve

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

Pensions Reserve

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

<b>2014/15 £'000</b>	<b>Pensions Reserve</b>	<b>2015/16 £'000</b>
<b>(39,828)</b>	Balance at 1st April	<b>(45,726)</b>
(4,420)	Remeasurements of the net defined benefit (liability)/asset	3,990
(3,320)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,460)
1,842	Employer's pensions contributions and direct payments to pensioners payable in the year	1,910
<b>(45,726)</b>	<b>Balance at 31st March</b>	<b>(43,286)</b>

Collection Fund Adjustment Account

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

Information for the Collection Fund Adjustment Account is shown below:

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

Accumulated Absences Account

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

<b>2014/15 £'000</b>	<b>Accumulated Absences Account</b>	<b>2015/16 £'000</b>
<b>(123)</b>	Balance at 1st April	<b>(125)</b>
123	Settlement or cancellation of accrual made at the end of the preceding year	125
(125)	Amounts accrued at the end of the current year	(143)
(2)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(18)
<b>(125)</b>	<b>Balance at 31st March</b>	<b>(143)</b>

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

2014/15 £'000	Cash Flow statement - Adjustment to net surplus or deficit on the provision of services for non cash movements	2015/16 £'000
1,971	Depreciation	2,068
1,030	Impairment and downward valuations	1,970
190	Amortisation	214
485	Increase/(decrease) in bad debts	353
12,306	Increase/(decrease) in Creditors	(10,299)
2,475	(Increase)/decrease in Debtors	(495)
(35)	(Increase)/decrease in Interest Debtors	(22)
-	(Increase)/decrease in Inventories	3
1,478	Movement in pension liability	1,550
149	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-
(2,872)	Other non-cash items charged to the net surplus or deficit on the provision of services	(946)
<b>17,177</b>	<b>Total adjustment of net surplus or deficit on the provision of services for non cash movements (as per page 5)</b>	<b>(5,604)</b>

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

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

## 26 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

## 27 Cash Flow Statement – Investing Activities

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

## 28 Cash Flow Statement – Financing Activities

2014/15 £'000	Cash Flow Statement – Financing Activities	2015/16 £'000
-	Cash receipts of short and long term borrowing	4,700
1,914	Other receipts from financing activities	2,223
(280)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
(1,230)	Other payments for financing activities	-
<b>404</b>	<b>Net cash flows from financing activities</b>	<b>6,923</b>

## 29 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Portfolios. These reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

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

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



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

### 30 Members' Allowances

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

### 31 Officers' Remuneration and Termination Benefits

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

Officers' Remuneration and Termination Benefits		Salary and Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive	2015/16	125,219	720	0	125,939
	2014/15	120,961	720	0	121,681
Corporate Director (previously Director of Resources)	2015/16	78,781	300	15,005	94,086
	2014/15	86,796	635	16,435	103,866
Corporate Director (previously Director of Community and Environment )	2015/16	76,374	330	14,506	91,210
	2014/15	80,741	360	15,387	96,488
Head of Financial Services and Chief Finance Officer	2015/16	65,734	0	13,531	79,265
	2014/15	67,848	0	12,959	80,807

Refer to notes to this table on the following page

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

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

Note 1: In 2014/15, Director of Resources show as two separate lines due to the retirement and subsequent appointment to the post. In the 2015/16 accounts these posts have been combined

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

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

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

Exit Packages

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

**32 External Audit Costs**

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

### 33 Grant Income

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

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

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

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

### 34 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. During 2015/16, the Council provided financial assistance to 120 organisations by way of direct grant payments (£827,292) and awards of rent relief (£192,778).

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

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

Central Government - Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 33.

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

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

### 35 Capital Expenditure and Capital Financing

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

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

**36 Leases**Council as LessorOperating Leases

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

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

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

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

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

**37 Impairment Losses**

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

**38 Defined Benefit Pension Schemes****Participation in pension schemes**

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the scheme requires employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

# Transactions relating to post employment benefits

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

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



# Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16 £M	2014/15 £M	2015/16 £M	2014/15 £M
Present value of the defined benefit obligation	112.59	115.18	4.54	4.86
Fair value of plan assets	73.84	74.31	0.00	0.00
Net liability arising from defined benefit obligations	38.75	40.87	4.54	4.86

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

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

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

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

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

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

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

### **Scheme history**

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

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £43.29 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2017 is £1.69 million.

### **Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2013.

The principal assumptions used by the actuary have been:

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

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

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

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

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

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

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

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- re-financing risk – the possibility that the Council might renew a financial instrument on maturity at disadvantageous interest rates or terms;
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Council in the Annual Treasury Management Strategy. This Strategy is drawn up in compliance with CIPFA's Code of Practice for Treasury Management in the Public Services and with the Prudential Code for Capital Finance in Local Authorities. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs) which are periodically reviewed.

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

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

#### Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested, and a maximum length of investment, with a financial institution located within each category, or with a particular type of counterparty. It also specifies a maximum percentage of the total portfolio that may be invested with each type of counterparty. Details of the Investment Strategy can be found within the Annual Treasury Management Strategy for 2015/16 on the Council's website.

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

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

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

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

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

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

#### Liquidity risk

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

In the event of an unexpected cash requirement, the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial assets. The approved limits placed on investments of greater than one year in duration, are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks, and the central treasury team address the operational risks within the approved parameters.

This includes monitoring the maturity profile of investments to ensure liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The Council incurred some long-term borrowing in 2015/16, analysis for which is detailed below. The maturity analysis of its financial assets is as follows:

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

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

<b>Analysis of Financial Liabilities</b>	31st March 2015 <b>£'000</b>	31st March 2016 <b>£'000</b>
Less than one year	-	579
Between one and two years	-	678
Between two and three years	-	804
More than three years	-	2,639
<b>Total</b>	<b>0</b>	<b>4,700</b>

### Market risks

#### Interest rate risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance, in periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

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

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

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

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

#### Price risk

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

#### Foreign exchange risk

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

### **40 Contingent Liabilities**

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



## Collection Fund

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

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

## Notes to the Collection Fund

### 1. Council Tax

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

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

### 2. Income from Non-Domestic Rates

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

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

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

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

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

**Glossary of Terms****Assets Held For Sale**

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

**Billing Authority**

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

**Capital Expenditure**

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

**Capital Receipts**

The proceeds from the disposal of land or other assets.

**Collection Fund**

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

**Community Assets**

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

**Corporate and Democratic Core**

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

**Current Assets**

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

**Depreciation**

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

**Financial Instruments**

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

**Finance Lease**

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

**Government Grants**

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

**Heritage Assets**

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

**Intangible Assets**

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

**Inventories**

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

**Investments**

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

**Investment Properties**

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

**Joint Ventures**

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

**Liabilities**

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

**Long Term Assets**

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

**Non-Distributed Cost**

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

**Operating Leases**

A lease other than a finance lease.

**Provisions**

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

**Related Party Transactions**

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

**Reserves**

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

**Revenue Expenditure**

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

**Revenue Support Grant**

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

**Useful Life**

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

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