



Statement of Accounts

2016 - 17

Welcome to our Statement of Accounts for 2016/17	1
Narrative Statement	3
Statement of Responsibilities	15
Statement of Accounts	
Core Financial Statements	
Movement in Reserves Statement	16
Comprehensive Income and Expenditure Statement	17
Balance Sheet	18
Cash Flow Statement	19
1 Accounting Policies	20
2 Prior Period Adjustment	32
3 Expenditure and Funding Analysis	33
4 Expenditure and Income Analysed by Nature	36
5 Accounting standards that have been issued but have not yet been adopted	37
6 Critical judgements in applying accounting policies	37
7 Assumptions made about the future and major sources of estimation uncertainty	38
8 Events after the balance sheet date	39
9 Adjustments between Accounting Basis and Funding Basis under Regulations	39
10 Transfers to/from earmarked reserves	42
11 Other Operating Income and Expenditure	42
12 Financing and Investment Income and Expenditure	43
13 Taxation and Non-specific Grant Income and Expenditure	43
14 Property, Plant and Equipment (PPE)	44
15 Heritage Assets	46
16 Investment Property	47
17 Interests in Jointly Controlled Operations	49
18 Intangible Assets	51
19 Financial Instruments	52
20 Debtors	55

Rushmoor Borough Council	Statement of Accounts 2016/17	Contents
21 Cash and Cash Equivalents		55
22 Short-term Borrowing		55
23 Creditors		55
24 Provisions		56
25 Other Long Term Items		56
26 Usable Reserves		56
27 Unusable Reserves		57
28 Cash Flow statement - Adjustment to net surplus or deficit on the provision of services for non cash movements		61
29 Cash Flow statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities		61
30 Cash Flow Statement – Operating Activities		61
31 Cash Flow Statement – Investing Activities		62
32 Cash Flow Statement – Financing Activities		62
33 Members’ Allowances		62
34 Officers’ Remuneration and Termination Benefits		62
35 External Audit Costs		63
36 Grant Income		64
37 Related Parties		65
38 Capital Expenditure and Capital Financing		66
39 Leases		67
40 Impairment Losses		67
41 Defined Benefit Pension Schemes		67
42 Nature and Extent of Risks Arising from Financial Instruments		72
43 Contingent Liabilities		75
44 Prior Period Adjustment Notes		75
Collection Fund		76
Notes to the Collection Fund		77
Glossary of Terms		79

Welcome to our Statement of Accounts for 2016/17



At the core of what Rushmoor Borough Council does is our belief that we should listen, learn and deliver better.

By listening and learning from what our residents, businesses, ward councillors, communities and experts tell us, we can continue to improve our services, our towns and our neighbourhoods.

To do this, we need to align our budgets and our priorities closely, with the right resources in place to deliver our priorities as set out in our Council Plan, and our core council services.

At the same time, we want to drive the council's progress towards financial sustainability as we move towards becoming necessarily more independent of government funding.

Our highest priority is the regeneration of Aldershot and Farnborough town centres.

In Aldershot, we continue to make good progress on a number of 'invest to regenerate' schemes that will help to revitalise the town. These include buying properties in Union Street with a view to putting together a regeneration programme that will see the buildings redeveloped within their existing facades, with shops and leisure use on the ground floor and new homes above. Other schemes include improvements at Aldershot railway station and The Galleries, where we continue to work with the owners to bring forward a viable redevelopment scheme. We also need to plan for the growing impact of the Wellesley development over the next few years.

In Farnborough, we are seeing our previous work pay off, with the £30 million exhibition and conference centre at the airport opening in spring 2018 and more new stores due to open in the town centre over the coming months. This year, our focus will be on accelerating the regeneration of the 'civic quarter' area of the town centre, with the aim of improving Farnborough's cultural and leisure offer and providing more town centre living. We are also very aware of the need to provide adequate road and service infrastructure to match these ambitious programmes.

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

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

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

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

Councillor David Clifford, Leader of Rushmoor Borough Council

Councillor Paul Taylor, Cabinet member for Corporate Services

Narrative Statement from the Chief Financial Officer

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



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

The Narrative statement contains the following key sections:

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

1. An introduction to Rushmoor



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

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

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

2. Key facts about Rushmoor Borough Council

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

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

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

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

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

• The Management Structure of the Council

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

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

An outline of the structure follows:



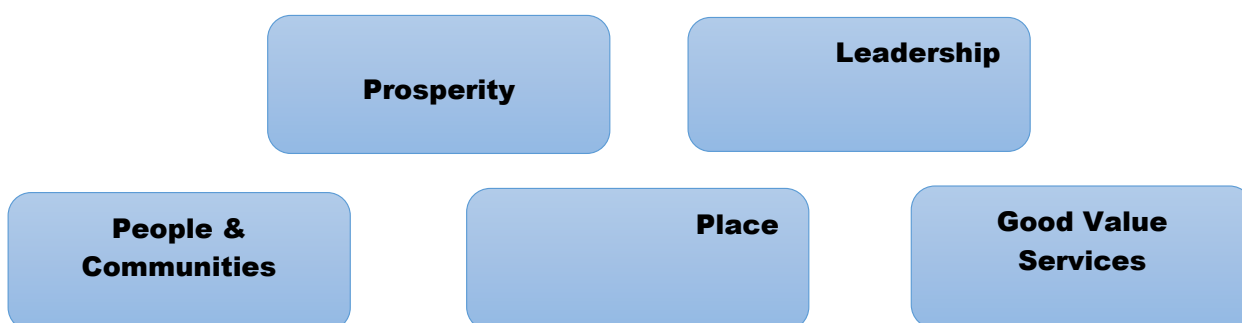
During 2016/17 the Directors' Management Board continued their review centred around the Council's Organisational Development work – providing a workforce equipped to deal with the ever-changing challenges facing local government, accompanied by a revised Development Review process (previously Appraisal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

• **The Corporate Plan**

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

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

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



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

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

Political

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

Economic

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

Social

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

Technological

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

Legal

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

Environmental

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

• **The Medium Term Financial Strategy**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Revenue Outturn Position

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

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

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

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

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

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

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

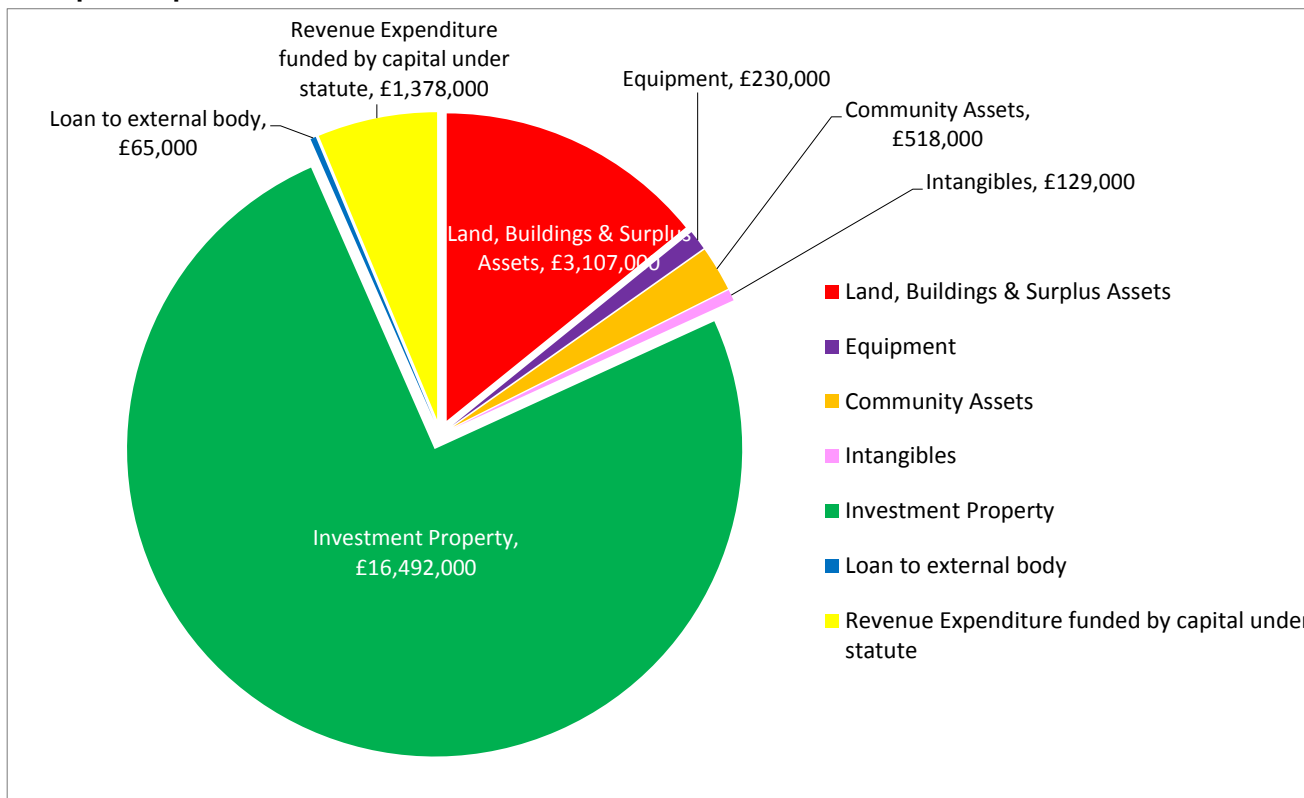
The summary presented above is a simplified version of the format that is used to present the revenue budget to Members and its aim is to show the effect of the year's transactions on the General Fund Balance.

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

• Capital Outturn Position

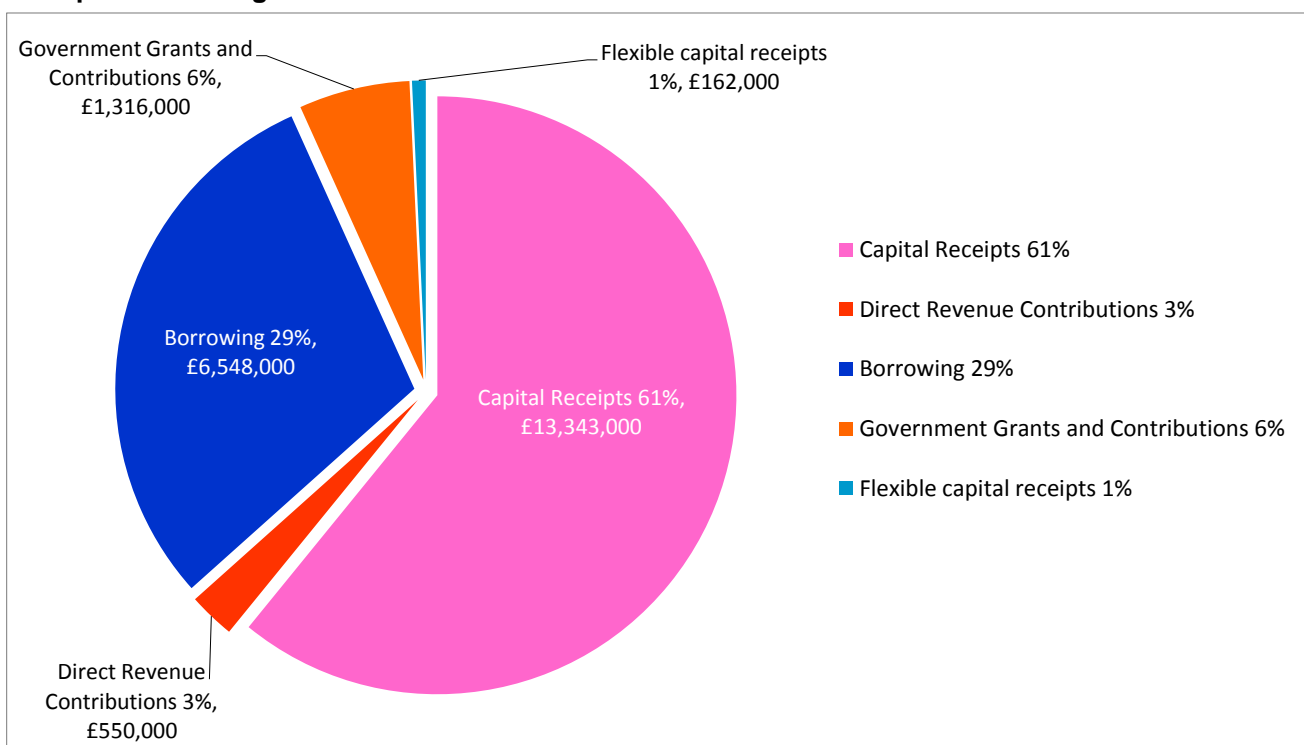
The Council spent £21.919 million on its capital programme in 2016/17, which is presented graphically below.

Capital Expenditure 2016/17



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

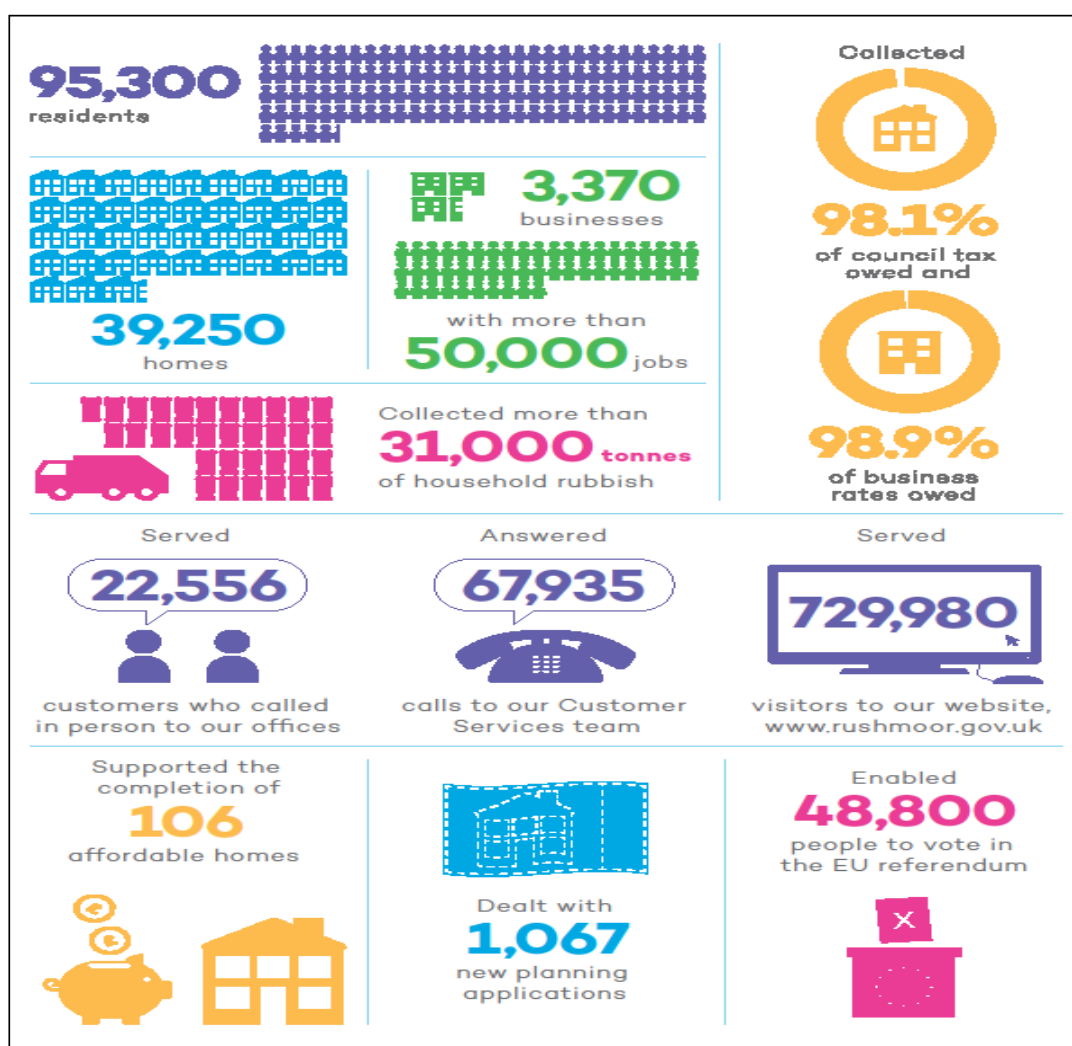
Capital Financing 2016/17



4. Non-Financial Performance of the Council

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

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



5. Corporate Risks

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

6. Explanation of the Financial Statements

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

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

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

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

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

Accounting Policies

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

Significant items of income or expenditure

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

Non-Current Assets Valuation

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

Business Rates Retention Scheme

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

Capital Receipts

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

Borrowing

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

Receipt of further information

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

Acknowledgements

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

Amanda Fahey

Head of Financial Services and Chief Financial Officer

The Authority's Responsibilities

The Authority is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification of Accounts

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

Amanda Fahey
Chief Financial Officer
Date: 25th September 2017

Approval of Accounts

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

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

Movement in Reserves Statement

This Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

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

Comprehensive Income and Expenditure Statement

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

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

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'.

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

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

Amanda Fahey
Chief Financial Officer
 25th September 2017

Cash Flow Statement

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

Restated

2015/16 £000	Cash Flow Statement	2016/17 £000
(3,767)	Net surplus or (deficit) on the provision of services	3,573
(8,324)	Adjustments to net surplus or deficit on the provision of services for non cash movements - see Note 28	2,365
(149)	Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities - see Note 29	(722)
(12,240)	Net cash flows from Operating Activities	5,216
4,936	Investing Activities - see Note 31	(18,446)
6,643	Financing Activities - see Note 32	11,458
(661)	Net increase or (decrease) in cash and cash equivalents	(1,772)
7,458	Cash and cash equivalents at the beginning of the reporting period	6,797
6,797	Cash and cash equivalents at the end of the reporting period	5,025

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

1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require that it is prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

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

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

Service cost comprising:

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

Remeasurements comprising:

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

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

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

Discretionary Benefits

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

viii. Events After the Reporting Period

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

Two types of events can be identified:

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

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

ix. Financial Instruments

Financial Liabilities

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

The Council borrowed funds for the purposes of capital expenditure in 2016/17, and therefore has a capital financing requirement in excess of zero at 31st March 2017. Other financial liabilities were trade creditors that occur in the normal course of business and a liability arising from an embedded lease in the Council's contract for Waste, Recycling and Grounds Maintenance. The amount presented in the balance sheet in respect of the embedded finance lease is the outstanding principal repayable. Interest payable in the year is calculated and charged to the Comprehensive Income and Expenditure Statement. Financial liabilities entered into with a duration of less than 12 months, such as trade creditors, are recognised at their nominal value.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available for Sale Assets

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

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

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

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

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

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

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

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

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

xii. Heritage Assets

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

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

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

- Civic Regalia

The items are subject to regular valuation for insurance purposes and the last valuation took place in February 2017. The valuation was carried out by Catherine Hockley BA (Hons) R J Dip – from Andrew Smith & Son, Fine Art Auctioneers & Valuers.

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

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

- Memorials and Statues

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

Memorials and statues are on public display.

Heritage Assets – General

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

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

xiii. Intangible Assets

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

xiv. Inventories

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

xv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. The 2016/17 external valuation report on all the investment properties and a selection of the other assets was prepared by GSC Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilks Head & Eve LLP. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xvi. Jointly Controlled Operations and Jointly Controlled Assets

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

xvii. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

xviii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SerCOP).

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

All costs of management and administration are allocated to Direct Services, with the exception of "Corporate and Democratic Core" – costs relating to the Council's status as a multifunctional, democratic organisation, & "Non Distributed Costs" – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on non-operational properties.

These two cost categories are as defined in the SerCOP and included within the Council's Corporate Services Portfolio contained within the Comprehensive Income and Expenditure Statement, as part of "Cost of services – continuing operations", and within the Expenditure & Funding Analysis as "Net cost of services".

xix. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

Depreciation is calculated on the following bases:

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

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

xx. Provisions and Contingent Liabilities

Provisions

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

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

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

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

Contingent Liabilities

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

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

xxi. Reserves

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

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

xxii. Revenue Expenditure Funded from Capital under Statute

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

xxiii. VAT

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

2 Prior Period Adjustment

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

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

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

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

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

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

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

3 Expenditure and Funding Analysis

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

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

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

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

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

Notes to the Expenditure & Funding Analysis

Adjustments between Funding and Accounting Basis

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

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

Notes

Note a - Adjustments for Capital Purposes

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

Note a - Adjustments for Capital Purposes continued

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

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

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

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

Note b - Net Change for the Pensions Adjustments

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

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

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

Note c - Other Differences

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

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

Notes to the Expenditure & Funding Analysis continued

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

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

4 Expenditure and Income Analysed by Nature

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

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

4 Expenditure and Income Analysed by Nature continued

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

5 Accounting standards that have been issued but have not yet been adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Amendment to the reporting of pension fund scheme transaction costs

Amendment to the reporting of investment concentration

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

6 Critical judgements in applying accounting policies

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

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

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts on page 15.

7 Assumptions made about the future and major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a risk of adjustment in the forthcoming financial year are provided on the following page:

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

8 Events after the balance sheet date

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

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

9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

	Restated	Restated	Restated	
9 Adjustments between accounting basis and funding basis under regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
For the year 2015/16				
Adjustments primarily involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	2,068	-	-	(2,068)
Revaluation losses on Property, Plant and Equipment	1,970	-	-	(1,970)
Movements in the market value of Investment Property	119	-	-	(119)
Amortisation of Intangible Assets	214	-	-	(214)
Capital grants and contributions received/applied	(3,653)	-	1,613	2,040
Revenue expenditure funded from capital under statute	2,134	-	-	(2,134)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	(280)	-	-	280
Capital expenditure charged against the General Fund	(1,116)	-	-	1,116
Adjustments primarily involving the Capital Receipts Reserve:				
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
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	3,460	-	-	(3,460)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,910)	-	-	1,910
Adjustments primarily involving the Collection Fund Adjustment Account:				
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)
Adjustment primarily involving the Accumulated Absences Account:				
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)
Total Adjustments	8,409	(776)	1,613	(9,246)

9 Adjustments between accounting basis and funding basis under regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
For the year 2016/17				
Adjustments primarily involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	1,349	-	-	(1,349)
Revaluation gains/losses on Property, Plant and Equipment	(366)	-	-	366
Movements in the market value of Investment Property	(4,635)	-	-	4,635
Amortisation of Intangible Assets	238	-	-	(238)
Capital grants and contributions applied	(1,292)	-	(24)	1,316
Revenue expenditure funded from capital under statute	1,380	-	-	(1,380)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1	-	-	(1)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	-	-	-	-
Capital expenditure charged against the General Fund	(550)	-	-	550
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(536)	536	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(13,505)	-	13,505
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	3,360	-	-	(3,360)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,980)	-	-	1,980
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	29	-	-	(29)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(9)	-	-	9
Total Adjustments	(3,011)	(12,969)	(24)	16,004

10 Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

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

11 Other Operating Income and Expenditure

2015/16 Gross Exp £000	2015/16 Gross Inc £000	2015/16 Net Exp £000	Other Operating Income and Expenditure	2016/17 Gross Exp £000	2016/17 Gross Inc £000	2016/17 Net Exp £000
-	(12)	(12)	Photovoltaic Cells Feed In Tariff	-	(20)	(20)
-	-	-	Advertising income	-	(10)	(10)
-	(59)	(59)	Other Corporate expenditure	129	-	129
-	-	-	(Gains)/losses on the disposal of non-current assets	-	(535)	(535)
27	-	27	MMI Levy Provision	-	-	-
123	-	123	Allowance for Doubtful Debts	(67)	-	(67)
150	(71)	79		62	(565)	(503)

12 Financing and Investment Income and Expenditure

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

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

13 Taxation and Non-specific Grant Income and Expenditure

Restated

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

14 Property, Plant and Equipment (PPE)

Movements on balances in 2015/16

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

14 Property, Plant and Equipment (PPE)

Movements on balances in 2016/17

	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000
<u>Cost or valuation</u>					
As at 1 April 2016	57,730	6,473	2,874	378	67,455
Additions	3,102	230	518	5	3,855
Revaluation increases recognised in the Revaluation Reserve	24,113	-	-	80	24,193
Revaluation decreases recognised in the Revaluation Reserve	-	-	-	(1)	(1)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(299)	-	-	-	(299)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(9,097)	-	-	-	(9,097)
Derecognition - Disposals	-	(277)	-	-	(277)
Transfers and adjustments	(1,171)	-	360	70	(741)
As at 31 March 2017	74,378	6,426	3,752	532	85,088
<u>Accumulated Depreciation</u>					
As at 1 April 2016	(14,456)	(4,645)	-	-	(19,101)
Depreciation - annual charge	(1,064)	(285)	-	-	(1,349)
Depreciation written out to the revaluation reserve	9,803	-	-	-	9,803
Derecognition - Disposals	-	277	-	-	277
Adjustments	1	-	-	-	1
As at 31 March 2017	(5,716)	(4,653)	-	-	(10,369)
As at 31 March 2017	68,662	1,773	3,752	532	74,719
As at 31 March 2016	43,274	1,828	2,874	378	48,354

Depreciation

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

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

Capital Commitments

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

14 Property, Plant and Equipment (PPE)Effects of Changes in Estimates

In 2016/17, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

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

15 Heritage Assets

Reconciliation of the carrying amount of Heritage Assets held by the Council.	
2015/16	Civic Regalia
Cost or Valuation	£000
1st April 2015	258
Additions	-
<u>Disposals</u>	-
31st March 2016	258
2016/17	Civic Regalia
Cost or Valuation	£000
1st April 2016	258
Additions	-
<u>Disposals</u>	-
31st March 2017	258
Net Book Value	
At 31st March 2017	258
At 31st March 2016	258

Civic regalia

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

Memorials and Statues

These consist of two memorials, the Heroes' Shrine in Manor Park, Aldershot & the Cockadobby war memorial, Farnborough and a sculpture of a charging horse in Princes Gardens, Aldershot.

Memorials and Statues

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

Intangible Heritage Assets

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

Heritage Assets – Five Year Summary of Transactions

Summary of Transactions Recognised in the Balance Sheet	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Cost of Acquisitions of heritage assets					
Civic Regalia					
Purchases - carrying value	221	221	221	221	221
Donations - carrying value	37	37	37	37	37
Total	258	258	258	258	258
Summary of Transactions Not Recognised in the Balance Sheet					
Civic Regalia					
Purchases - carrying value	39	39	39	39	36
Donations - carrying value	65	65	65	61	63
Total	104	104	104	100	99
Disposals of Donated Civic Regalia					
Carrying value	-	-	4	-	-
Proceeds	-	-	-	-	-

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

16 Investment Property

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

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

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All Investment Properties were re-valued as at 31st March 2017.

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

2015/16 £000	Investment Property movements in fair value	2016/17 £000
26,300	Balance at the start of the year	26,181
	- Additions	16,492
	- Transfers	688
(119)	Net gains/(losses) from fair value adjustments taken to the Comprehensive Income & Expenditure Account	4,635
26,181	Total	47,997

Fair Value Hierarchy

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

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

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

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2017 by the Wilkes, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's investment properties are categorised as follows:

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

17 Interests in Jointly Controlled Operations

Jointly Controlled Operations

Community Safety Service

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

Below is a memorandum account of the financial activity of the shared community safety service from 1st April 2016 to 31st March 2017.

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

The following is an extract of the Joint Community Safety Team Projects delivered on behalf of the 6 statutory agencies who work together under Section 17 of Crime & Disorder Act 1998 (Probation, Police, Clinical Commissioning Groups, Hampshire County Council, The Local Authority and Fire Authority) The credit balance of funds of £64,000 as at 31st March 2017 are held as a creditor on Rushmoor Borough Council's balance sheet

Project	Balance as at 31st March 2015	2015/16 Project Income	2015/16 Project Exp	Balance as at 31st March 2016	2016/17 Project Income	2016/17 Project Exp	Balance as at 31st March 2017
	£000	£000	£000	£000	£000	£000	£000
Challenge & Change and OPS Stronghold	5	-	(3)	2	-	-	2
Anti Social Behaviour & Night Time Economy	3	-	-	3	-	-	3
NE Hants Drug & Alcohol Action Group (DAAG)	(1)	-	1	-	-	-	-
Bike Project	4	-	-	4	-	-	4
Education Programme	10	-	(4)	6	-	(1)	5
OP Moat	7	-	(5)	2	-	-	2
Victim Support	12	-	(12)	-	-	-	-
LIBOR Fund	31	-	(11)	20	-	(18)	2
Community Development	-	20	(6)	14	20	(11)	23
Domestic Violence	-	-	(11)	(11)	-	11	0
Restorative Justice	-	26	(3)	23	-	(3)	20
Victim Needs Project	-	13	-	13	-	(11)	2
Speedwatch	-	4	-	4	-	(3)	1
Other	(4)	-	2	(2)	1	1	-
	67	63	(52)	78	21	(35)	64

CCTV Service

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

Rushmoor Borough Council's element of the shared CCTV service costs are shown on the Business, Safety & Regulation line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared CCTV service from 1st April 2016 to 31st March 2017.

	Rushmoor Borough Council 2016/17 £000	Hart District Council 2016/17 £000	Total 2016/17 £000
Employee Related Expenditure	137	90	227
Premises Related Expenditure	2	2	4
Supplies & Services	85	25	110
Support Services	64	-	64
Capital Charges	44	-	44
Net Expenditure	332	117	449
Hosting Charge	(14)	14	-

Building Control Service

On 2nd July 2015 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared Building Control service. Rushmoor Borough Council's element of the shared Building Control service costs are included in the Business, Safety and Regulation line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared Building Control service from 1st April 2016 to 31 March 2017.

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

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

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

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

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

18 Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £238,000 charged to revenue in 2016/17 was charged directly to service revenue accounts and is therefore included in the cost of services. No items of capitalised software are individually material to the Financial Statements.

Capital Commitments

The Council had no major capital commitments in respect of Intangible Assets as at 31st March 2017. The movement on Intangible Asset balances during the year is as follows:

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

19 Financial Instruments

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

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

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

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

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

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

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

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

2016/17	Financial Liabilities:	Financial Assets		Total £000
	Amortised Cost £000	Loans and Receivables £000	Available for Sale £000	
Interest expense	(11)	-	-	(11)
Amortisation of investment	-	-	-	-
Exchange rate loss on derecognition	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	(11)	-	-	(11)
Interest income	-	81	672	753
Total income in Surplus or Deficit on the Provision of Services	-	81	672	753
Net gain/(loss) for the year	(11)	81	672	742

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

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

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

31 March 2016 £000	Value of Financial Assets			31 March 2017 £000
	Input level in Fair Value Hierarchy	Recurring Fair Value Measurements	Valuation technique used to measure	
999	Level 1	Floating Rate Note	Unadjusted quoted prices in active markets	998
5,471	Level 1	Covered Fixed Bonds	Unadjusted quoted prices in active markets	4,349
20,262	Level 1	Pooled Funds	Unadjusted quoted prices in active markets	20,481
26,732	Total Fair Value of Financial Assets			25,828

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

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

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

Financial Liabilities	31 March 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities at amortised cost	7,813	7,813	19,069	19,069
Finance lease liabilities	-	-	-	-
Total Financial Liabilities	7,813	7,813	19,069	19,069

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

20 Debtors

Restated

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

21 Cash and Cash Equivalents

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

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

22 Short-term Borrowing

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

23 Creditors

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

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

24 Provisions

Short term Provisions

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

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

Long term Provisions

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

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

25 Other Long Term Items

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

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

26 Usable Reserves

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

27 Unusable Reserves

Restated

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

Revaluation Reserve

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

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

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

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

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Property and gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Restated

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

Available for Sale Financial Instruments Reserve

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

Pensions Reserve

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

2015/16 £000	Pensions Reserve	2016/17 £000
(45,726)	Balance at 1st April	(43,286)
3,990	Remeasurements of the net defined benefit (liability)/asset	(3,860)
(3,460)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,360)
1,910	Employer's pensions contributions and direct payments to pensioners payable in the year	1,980
(43,286)	Balance at 31st March	(48,526)

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:

2015/16 £000	Collection Fund Adjustment Account	2016/17 £000
4,929	Balance at 1st April	(515)
(5,444)	Amount by which council tax income and NDR income is (credited) or debited to the Comprehensive Income and Expenditure Statement is different from council tax income and NDR income calculated for the year in accordance with statutory requirements	(29)
(515)	Balance at 31st March	(544)

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.

2015/16 £000	Accumulated Absences Account	2016/17 £000
(125)	Balance at 1st April	(143)
125	Settlement or cancellation of accrual made at the end of the preceding year	143
(143)	Amounts accrued at the end of the current year	(134)
(18)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9
(143)	Balance at 31st March	(134)

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

Restated

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

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

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

30 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

31 Cash Flow Statement – Investing Activities

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

32 Cash Flow Statement – Financing Activities

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

33 Members' Allowances

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

34 Officers' Remuneration and Termination Benefits

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

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

Refer to notes to this table on the following page

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

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

Note 1: Chief Executive retired 28 February 2017, annualised salary of £126,200

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

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

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

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

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

Exit Packages

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	No	No	No	No	No	No	£	£
£0-£20,000	-	2	3	4	3	6	25,640	40,964
£20,001-£40,000	-	-	1	1	1	1	32,005	28,674
£40,001-£60,000	-	-	-	1	-	1	-	44,991
Total	-	2	4	6	4	8	57,645	114,629

35 External Audit Costs

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

36 Grant Income

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

Restated

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

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

31st March 2016 £000	The value of grants and contributions that have yet to be recognised as income as they have conditions attached to them	31st March 2017 £000
2,238	S 106/grants Developer's contributions & capital grants	2,260
52	Creditor Armed Forces Community Covenant	39
2,290	Total	2,299

37 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. During 2016/17, the Council provided financial assistance to 112 organisations by way of direct grant payments (£754,606) and awards of rent relief (£215,421).

Within the Business Rates Retention Scheme, rate relief of (£687,214) has been awarded to charitable and not for profit organisations. The cost of the rate relief is shared between central government, Rushmoor Borough Council and Hampshire County Council (including Fire Authority) in the following proportions 50:40:10. The Council did not provide material financial assistance to any organisation, being more than 50% of their funding, on terms that gave the Council effective control over their operations. However, of the 112 voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

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

Central Government - Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 35.

Members - Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 31. During 2016/17, no works or services were commissioned from companies in which members had an interest. Financial assistance totalling £948,193 was awarded to voluntary organisations in which 27 members had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Statement of Accounts working papers and the Register of Members interest, open to public inspection.

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

38 Capital Expenditure and Capital Financing

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

Restated

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

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

39 Leases

Council as Lessor Operating Leases

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

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

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

2015/16 £000	Leases	2016/17 £000
2,190	Not later than one year	2,878
7,919	Later than one year and not later than five years	10,384
89,062	Later than five years	92,107
99,171	Total	105,369

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17, contingent rents of £823 were receivable by the Council (£1,973 in 2015/16).

40 Impairment Losses

The Council has employed a specialist company of Chartered Surveyors for the valuation of individual capital assets and groups of capital assets. As part of this review minor impairment losses of £0.341 million were identified and were offset against previous valuation gains for individual assets.

41 Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in two post-employment schemes:

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

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

Transactions relating to post employment benefits

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

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £M	2015/16 £M	2016/17 £M	2015/16 £M
Cost of Services: Service cost comprising: · current service cost	1.92	2.02	-	-
Financing and Investment Income and Expenditure Net Interest Expense	1.29	1.29	0.15	0.15
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3.21	3.31	0.15	0.15
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement Remeasurement of the net defined benefit liability comprising:				
Return on Plan Assets (Excluding the amount included in the net interest expense)	(13.77)	1.30	-	-
Actuarial gains and losses arising on changes in financial assumptions	24.18	(3.97)	0.40	(0.09)
Actuarial gains and losses arising on changes in demographic assumptions	(1.40)	-	(0.11)	-
Actuarial gains and losses arising from liability experience	(5.22)	(1.15)	(0.22)	(0.08)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	7.00	(0.51)	0.22	(0.02)
Movement in Reserves Statement Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3.21)	(3.31)	(0.15)	(0.15)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	1.69	1.61		
Retirement benefits payable to pensioners			0.29	0.30

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £M	2015/16 £M	2016/17 £M	2015/16 £M
Present value of the defined benefit obligation	132.45	112.59	4.47	4.54
Fair value of plan assets	88.39	73.84	-	-
Net liability arising from defined benefit obligations	44.06	38.75	4.47	4.54

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

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

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

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

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

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

The actual return on scheme assets in the year was £16.25 million (2015/16: £1.05 million).

Scheme history

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

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £48.53 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2018 is £1.87 million.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2016.

The principal assumptions used by the actuary have been:

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

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

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

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

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

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

42 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

The Annual Treasury Management Strategy for 2016/17 and the Prudential Indicators for Capital Finance were approved by Council on the 25th February 2016 and are available on the Council's website.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested, and a maximum length of investment, with a financial institution located within each category, or with a particular type of counterparty. It also specifies a maximum percentage of the total portfolio that may be invested with each type of counterparty. Details of the Investment Strategy can be found within the Annual Treasury Management Strategy for 2016/17 on the Council's website.

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

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

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

The Council does not generally allow credit for customers, such that £1.8 million of the £4.2 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

The past due amount can be analysed by age	31st March 2016 £000	31st March 2017 £000
Less than two months	191	1,168
Two to six months	377	121
Six months to one year	207	251
More than one year	358	307
Total	1,133	1,847

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

Liquidity risk

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

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

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

Refinancing and Maturity Risk

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

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

The Council incurred some long-term borrowing in 2016/17, analysis for which is detailed below. The maturity analysis of its financial assets is as follows:

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

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

Analysis of Financial Liabilities	31st March	
	2016 £000	2017 £000
Less than one year	579	12,429
Between one and two years	678	429
Between two and three years	804	429
More than three years	2,639	1,285
Total	4,700	14,572

Market risks

Interest rate risk

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

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

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

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

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

At 31st March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	103
Impact on Surplus or Deficit on the Provision of Services	103

The impact of a 1% fall in interest rates cannot be provided as the base rate prevailing throughout the year 2016/17 was historically low, and allowance for a full 1% reduction would be economically impossible in the circumstances of the year.

Price risk

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

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies, and thus had no exposure to loss arising from movements in exchange rates in 2016/17.

43 Contingent Liabilities

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

44 Prior Period Adjustment Notes

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

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

Collection Fund

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

2015/16 £000	Collection Fund Income and Expenditure Account	2016/17		
		£000	£000	£000
		Council Tax	NDR	Total
	Income			
43,837	Income from Council Tax payers	45,954		45,954
46,036	Income from Non Domestic Rate payers		47,849	47,849
89,873		45,954	47,849	93,803
	Expenditure			
	Precepts			
30,879	Hampshire County Council	32,565		32,565
4,681	Police & Crime Commissioner for Hampshire	4,842		4,842
1,826	Hampshire Fire and Rescue	1,889		1,889
5,476	Rushmoor Borough Council	5,664		5,664
	Business rates:			
126	Allowance for collection		122	122
4,190	Payments to Hampshire County Council		4,279	4,279
466	Payments to Hampshire Fire and Rescue Authority		475	475
18,620	Payments to Rushmoor Borough Council		19,018	19,018
23,275	Payments to Government		23,772	23,772
	Provision for bad and doubtful debts			
268	Council Tax	358		358
335	NDR		273	273
1,589	Provision for NDR appeals		852	852
	Collection fund surplus/deficit			
1,169	Council Tax	710		710
10,886	NDR		(902)	(902)
103,786		46,028	47,889	93,917
13,913	Net Movement in Fund	74	40	114
(13,869)	Balance b/fwd 1 April	(1,820)	1,864	44
44	Balance c/fwd 31st March (surplus)/deficit	(1,746)	1,904	158
	The (surplus)/deficit as at 31st March allocated to:			
(1,147)	Hampshire County Council	(1,269)	171	(1,098)
(197)	Police & Crime Commissioner for Hampshire	(187)	-	(187)
(59)	Hampshire Fire and Rescue	(72)	19	(53)
515	Rushmoor Borough Council	(218)	762	544
932	Government	-	952	952
44		(1,746)	1,904	158

Notes to the Collection Fund

1. Council Tax

Council Tax derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hampshire County Council, Police, Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts: (30,172.66 for 2016/17). This basic amount of Council Tax for a Band D property (£1,490.07 for 2016/17) is multiplied by an appropriate ratio to produce the amount due for the bands A to H. Council Tax bills are based on the following dwellings and proportions.

Tax Band	Discounted Equivalent Dwellings	Weighting	Band D Equivalent
A (Disabled Relief)	0	5/9	0
A	777	6/9	518
B	5,521	7/9	4,294
C	11,962	8/9	10,632
D	6,788	1	6,787
E	3,400	11/9	4,156
F	1,071	13/9	1,547
G	279	15/9	465
H	5	18/9	10
O (Army)	1,764	-	1,764
Total			30,173

2. Income from Non-Domestic Rates

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

The rateable value of properties at 31 March 2017 is £108,156,558 and the national non-domestic multiplier was 49.7p. This gives a potential business yield of £53.8 million. The actual business rates collectable for 2016/17 after reliefs is £47.8 million. In addition there is an adjustment to the business rates income for the provision on appeals to the collection fund. This provision for 2016/17 has been increased from £6.0 million to £6.8 million, due to the number and value of appeals to be agreed.

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

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

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

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.

Council Offices,
Farnborough Road,
Farnborough,
Hants, GU14 7JU

www.rushmoor.gov.uk
01252 398 399
customerservices@rushmoor.gov.uk

 [@rushmoorcouncil](https://twitter.com/rushmoorcouncil)
 Rushmoor Borough Council
September 2017