



Statement of Accounts and Annual Governance Statement 2017 - 18

RUSHMOOR
BOROUGH COUNCIL

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Welcome to our Statement of Accounts for 2017/18

The past year has been an incredibly busy, but rewarding, one as we continue to transform the council, our services and our towns.

Our mission is to listen, learn and deliver better – for our residents, businesses, communities and our towns – and by transforming the council, we aim to focus resources and budgets on the right things.

Our highest priority continues to be the regeneration of our town centres and this year, we have put in place many of the solid building blocks required to deliver real change. This has included securing £10.7 million from the government and Enterprise M3 Local Enterprise Partnership towards regeneration schemes in Aldershot town centre. We have also started the process of seeking an investment partner to work with us on driving regeneration, which will include providing new retail, leisure, community and residential spaces in our town centres.

To support businesses and encourage shoppers and visitors to our towns, we have launched a great programme of annual events and activities for all ages. We are also firm believers in volunteering and creating a sense of community, so this year, we are offering more opportunities than ever for people to get involved in their local area.

Our new waste management, street cleaning and grounds' and parks' maintenance contract is now well embedded, saving the council around £650,000 a year, while at the same time making sure that we still offer the services our residents value – weekly bin collections, regular street cleaning and beautiful parks and flowerbeds. The new contract also offers a number of new services, ranging from the recycling of small household electrical items to a community champions scheme, being introduced in summer 2018.

As well as driving an ambitious transformation programme, we are working towards being more financially independent of government funding. We are doing this by continuing to pursue actively opportunities for making savings and securing better value from the contracts and services we commission, but also by increasing our focus on property investment and income generation.

The 'golden thread' of all of these – and many more activities – is our well-managed budgets. You can find out more about these and our financial strategies in the following pages. You can find out more about our priorities on our website at:

www.rushmoor.gov.uk/councilplan

Councillor David Clifford, Leader of Rushmoor Borough Council

Councillor Gareth Lyon, Cabinet member for Corporate and Democratic Services

Narrative Statement from the Chief Financial Officer

ORGANISATIONAL OVERVIEW AND ENVIRONMENT

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 fourteen years.

2. Council services and purpose

Rushmoor Borough Council (RBC) delivers more than 100 local services to the communities of Aldershot and Farnborough, including core services such as rubbish and recycling collection, street cleaning, planning, environmental health, housing, parks and leisure facilities.

The Council is more complex than ever before and plays an essential role in broad areas like engaging with and where necessary, supporting local communities and business, helping the most vulnerable in society and making sure our Borough continues to develop and thrive economically with an extensive regeneration programme.

There are significant financial challenges faced by Rushmoor and other Councils across the Country due to Government's austerity measures and funding policies, which have put increasing pressure on local public sector finances. The Council has effectively managed its resources through these challenges with sound financial management. The next few years, however, will be particularly demanding as we work towards meeting reductions in our budgets and unknown impacts of central government funding reviews.



At the same time, the Council want to continue to press ahead with major priorities, including supporting the regeneration of Aldershot and Farnborough town centres, improving parking arrangements and the continued creation of the new Wellesley development in Aldershot.

2. Council services and purpose (continued)

The Council is committed to tackling the shortage of local homes and is in the process of exploring the setting up of its own housing company. A re-tendering of our waste collection (while maintaining a weekly collection service), street cleaning service and grounds' maintenance service in August 2017 has yielded an annual saving of £650,000. The Council has continued to improve leisure and cultural facilities by working with neighbourhoods to bring together local communities, launching a Community Lottery in July 2017 to raise £25,000 for local good causes and improving playgrounds at Osborne Road, North Camp, Municipal Gardens and Manor Park. The Council has also introduced Public Space Protection Orders (PSPOs) in both Aldershot and Farnborough town centres to help work with police to control a range of antisocial behaviours.

ORGANISATIONAL MODEL

3. Political Structure of the Council in the 2017/18 Municipal Year

Rushmoor has 13 wards and the Council consists of 39 elected Members. The political make-up of the Council during 2017/18 was as stated below:

Party	Councillors
Conservative	26
Labour	11
Independent*	2
Total number of elected members	39

*During the 2017/18 year, one independent member resigned in February 2018 leaving a vacant seat.

Elections took place on 3rd May to fill this vacancy.

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.

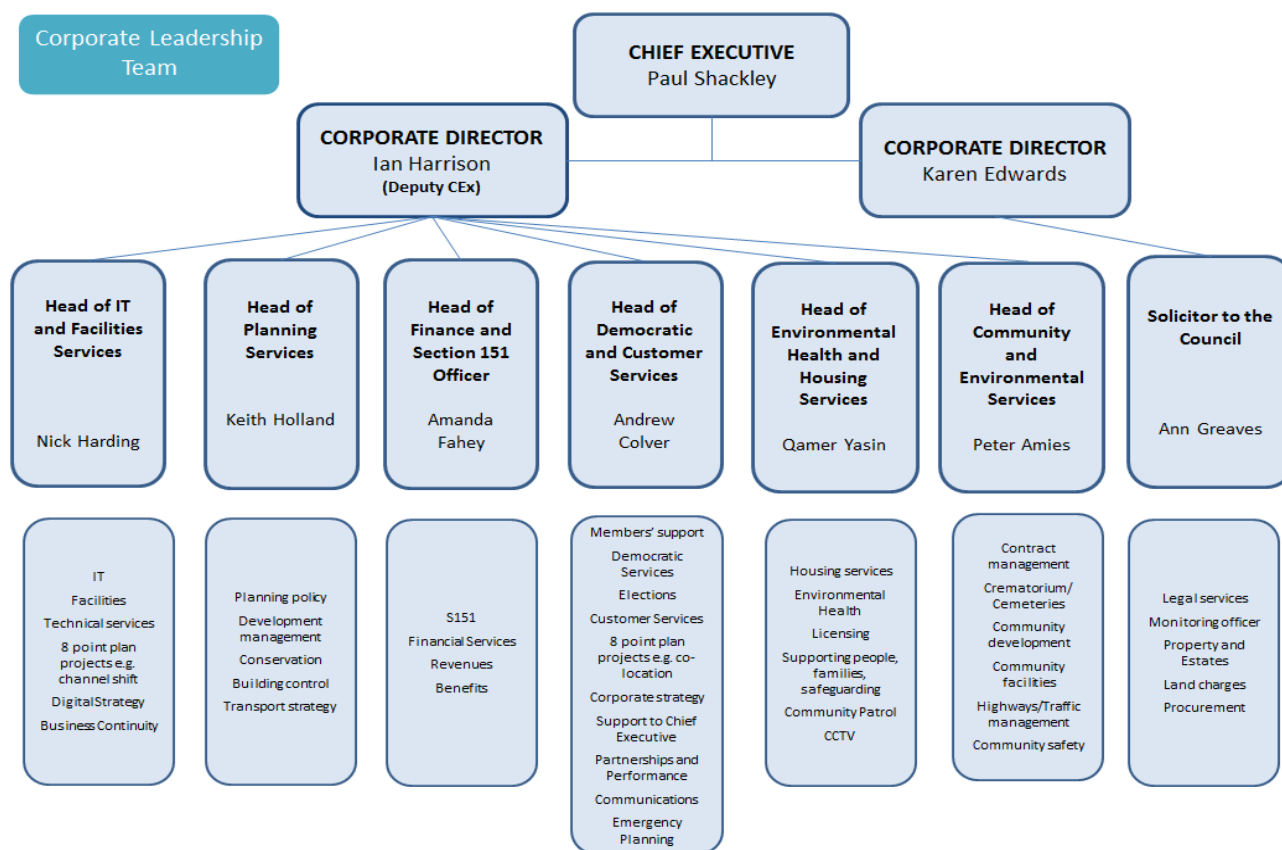
4. Management Structure of the Council

A new Chief Executive was appointed in May 2017. To support the work of elected Members the incoming Chief Executive changed the structure of the senior leadership team from a Directors' Management Board (DMB) consisting of the Chief Executive and two Directors to a Corporate Leadership Team (CLT), consisting of the Chief Executive, two Corporate Directors and Heads of Service. The CLT 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) and Solicitor to the Council, as Monitoring Officer, are both members of CLT, ensuring that these key statutory roles have on-going access to the most senior level of the Council.

An outline of the structure appears on the following page:

4. Management Structure of the Council (continued)



GOVERNANCE

5. Governance arrangements

Governance arrangements are outlined within the Annual Governance Statement on page 84 of this document.

RISK AND OPPORTUNITIES

6. Risks management

A risk management strategy is in place to evaluate and identify risk. There are clearly defined processes to support robust decision making through the understanding of risk, whether an opportunity or threat exists and the likely impact. 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.

Set out on the following page are the key risks from the Council's Corporate risk register:

6. Risks management (continued)

Risk	Impact	Mitigation
Large Regeneration Projects	<ul style="list-style-type: none"> • Risk to financial viability of schemes - external influences such as market values • Affordability to Authority • Risk of legal challenge during compulsory purchase option (CPO) • Risk of further decline in town centres, effecting local economy • Partner commitment e.g. other landowners & competing priorities • Holding costs during assembly of project 	<ul style="list-style-type: none"> • Farnborough Civic Quarter Master Plan • Regular oversight meetings with Elected Members • Bids being made for external funding • Investigating sharing risk through partnership with private developers • Legal advice sought on CPO • Robust regeneration functions with access to appropriate levels of expertise and resource fully established during 2018/19. • Public engagement around major projects.
IT: Information Assurance / Security	<ul style="list-style-type: none"> • Risk of system compromise / data breach / data loss and service loss. 	<ul style="list-style-type: none"> • Data/system access controls • Annual penetration testing • Annual security e-learning training for all staff • Annual gap analysis audit • Combine with Business Continuity exercise and breach procedures test by end Q2 2018/19 - incorporating new IT backup systems • GDPR working group work
Safeguarding Arrangements Safeguarding duties under Children's Act - adults and children	<ul style="list-style-type: none"> • Potential for serious injury, death etc. • Reputational impact to the Council • Fines and loss of confidence in service users. • Decrease morale from workers involved with service provision. 	<ul style="list-style-type: none"> • E-learning module has been developed for staff and will form part of all staff induction • Safeguarding to be included in staff contracts (new & renewed) • Champions being provided enhanced training • Referral process in place
T19 Hampshire County Council (HCC) Transformation Programme		
A) Parking Enforcement changes	A) Potential loss of jobs in back office (TUPE).	A) Meetings held with other Local Authorities and HCC
B) Agency agreements ending	B) Potential loss of traffic management agency work and posts (TUPE). No financial impact - major loss in control/influence.	B) Meetings held to discuss proposals
C) Waste disposal contract changes	C) Potentially significant impact on the RBC waste contract.	C) Meetings held by IH with HCC to discuss proposals. Long-term minimum 5 year project.
D) Waste recycling centres closure	D) Increased waiting times for recycling centres.	D) Watching brief followed by action to mitigate impact on RBC if possible
E) Social inclusion service funding changes	E) Potential risk of reduction in support services for vulnerable homeless	E) Seeking advice from Local Government Association on provision of temporary accommodation for homeless people.

7. Opportunities

The Council recognises the need to be proactive in identifying opportunities to develop services that are efficient, effective and improve customer experience against a backdrop of reducing central government support.

“Listen, Learn, Deliver Better” Corporate Plan emphasises Rushmoor’s commitment to deliver change. The introduction of a new Chief Executive and political leadership has built upon the Council’s objective to be customer focused with the following activities undertaken during 2017/18:

Peer challenge

Undertaken by the Local Government Association (LGA) in December 2017 the peer team spoke to over 70 people including Members, officers and external partners. The peer team spent three days on site with the culmination being a presentation to the Council of the findings focusing on:

- Understanding of the local place and priority setting
- Leadership of Place
- Financial planning and viability
- Organisational leadership and governance
- Capacity to deliver

The key recommendations from the review were:

- Create a clearer narrative of the Council’s long term vision for the area and extend the Council’s planning horizon to support delivery of that vision, enabling it to build on the economic success of the area
- Clearer and fewer priorities and being able to redirect resources to them
- More emphasis on the underlying budget challenge and more regular monitoring and vigorous challenge to significant areas
- Strengthen capacity in the areas of regeneration and transformation/modernisation and develop a broader programme to help embed and increase the pace of change
- Improve the approach to scrutiny
- Understand residents’ views better to inform the development and review of the Borough’s vision and service transformation
- Improve performance management and governance
- Reshaping the approach and collective resources of the Rushmoor Strategic Partnership, members to focus on fewer, more strategic issues
- Aligning and integrating property and regeneration strategy and priorities better

Staff survey

Commissioned with South East Employers with the results published and distributed to staff, showed the results were positive in many areas with employees agreeing that Rushmoor Borough Council is a good place to work and with most people feeling happy in what they do. The following areas for improvement were identified:

- Need for clearer vision with better leadership and direction from management
- Need to work more as a ‘team’ across services
- Improved communication and understanding of the key messages
- Better change management and planning
- Development opportunities for everyone and increased investment in people
- Better management particularly in managing poor performance

Customer experience project

A public sector partner (IESE) was commissioned to undertake a Council-wide diagnostic in terms of being customer focused.

7. Opportunities (continued)

Key messages from the diagnostic:

- Some excellent exemplar services such as Revenues and Benefits
- However, the lessons from exemplar services have not been rolled out as a corporate approach
The customer service function is seen as an “add on” by services and not as an integral part of the service to the customer
- The current approach doesn’t encourage problem-solving or end to end solutions
- Processes could be improved providing a much better service to the customer and significant saving's could be achieved at the same time.

Outcome

As a result of the challenge and consultation a modernisation and improvement programme (Rushmoor 2020) is being developed that brings together the Council's plans for improvement and financial sustainability into a single delivery programme led by one of the Council's Directors.

The overarching outcome will be a much more customer-focused, agile and financially sustainable organisation, delivering an excellent customer experience through a clear long term vision and priorities, developing people, improving performance management and governance, achieving financial sustainability, embracing the concept of becoming a digital council and supportive communications.

Rushmoor is building on its commercialisation experience to reinvest and regenerate the local economy through significant town centre programmes in Farnborough and Aldershot. To ensure a positive impact in the Borough while maintaining a robust financial position, expertise has been utilised and options for a Wholly Own Company pursued, significant contracts have been re-tendered and the Council is reviewing its own internal senior management structure to equip the Council for the future.

STRATEGY AND RESOURCE ALLOCATION

8. The Corporate Plan – “Listen, Learn, Deliver Better”

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 four priority themes that support the overall purpose to work with others to improve the quality of people's lives as outlined on the following page.

8. The Corporate Plan – “Listen, Learn, Deliver Better”



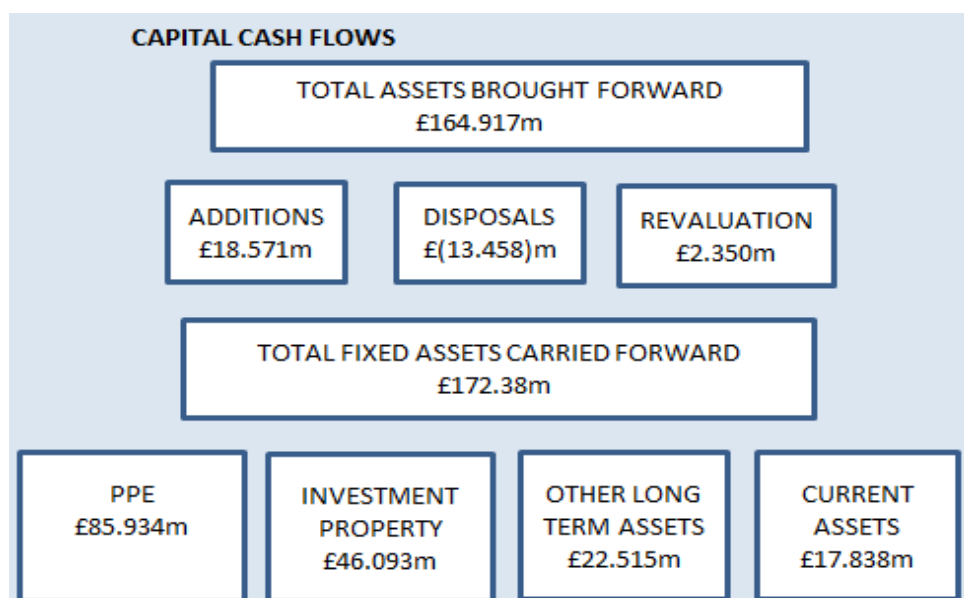
9. Resource Allocation

Rushmoor Borough Council manages cash flows of £156.5m and assets exceeding £172m by:

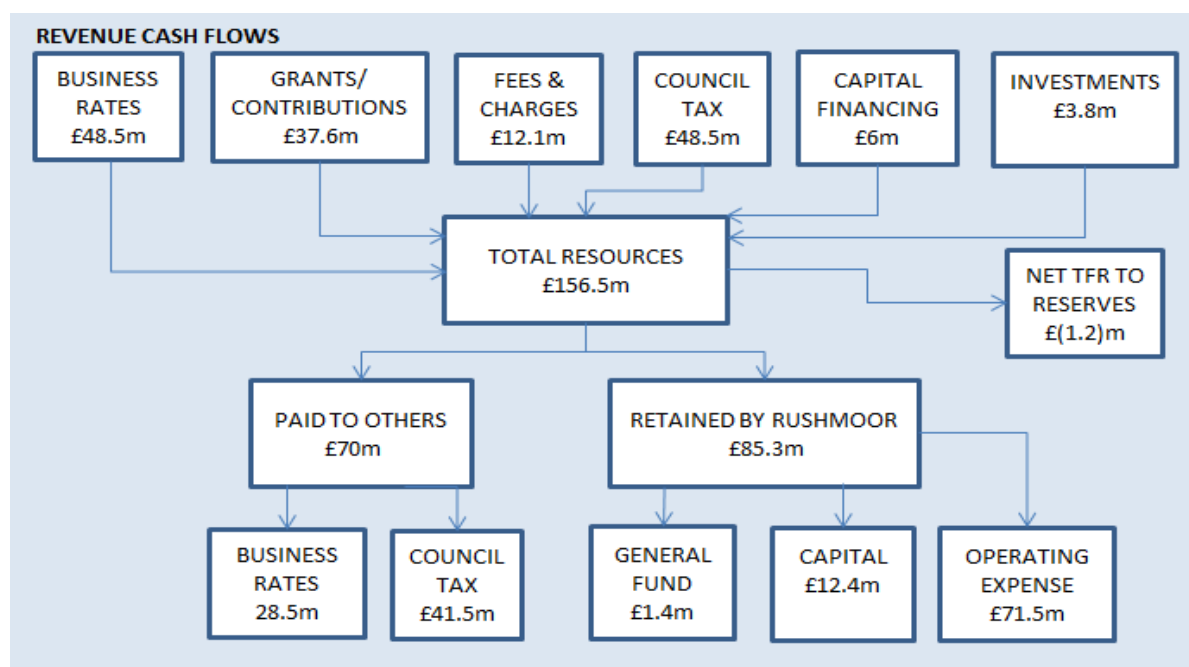
- Holding a General fund balance of £2m
- Collecting £48.5m of business rates. 60% of the business rates collected is passed onto central government, Hampshire County Council and Fire and Rescue Authority. The Council retains £18.99m
- Collecting £48.5m of Council tax payments. 88% of Council Tax collected is passed onto central government, Hampshire County Council, Fire and Rescue Authority and Police and Crime Commissioner. The Council retains £5.86m
- Holding £154m of fixed assets, comprising £82.1m operational assets for delivery of services, £3.8m of community assets, £46m of investment property and long-term investments of £15m.
- Actively managing the asset portfolio is expected to realise investment income of £3.8m annual from 2017/18 and socio-economic benefits from regeneration. Generating £12.1m of fees and charges
- Receiving grants and contribution of £37.6m mainly from central government. The Council has to manage all other income streams to counter the falling level of grants received year-on-year to maintain its core services such as, rubbish and recycling collection, street cleaning, planning, housing, environment health, community and leisure.

9. Resource Allocation (continued)

Total capital cash flows through the Council are shown below:



Total revenue cash flows through the Council are shown below:

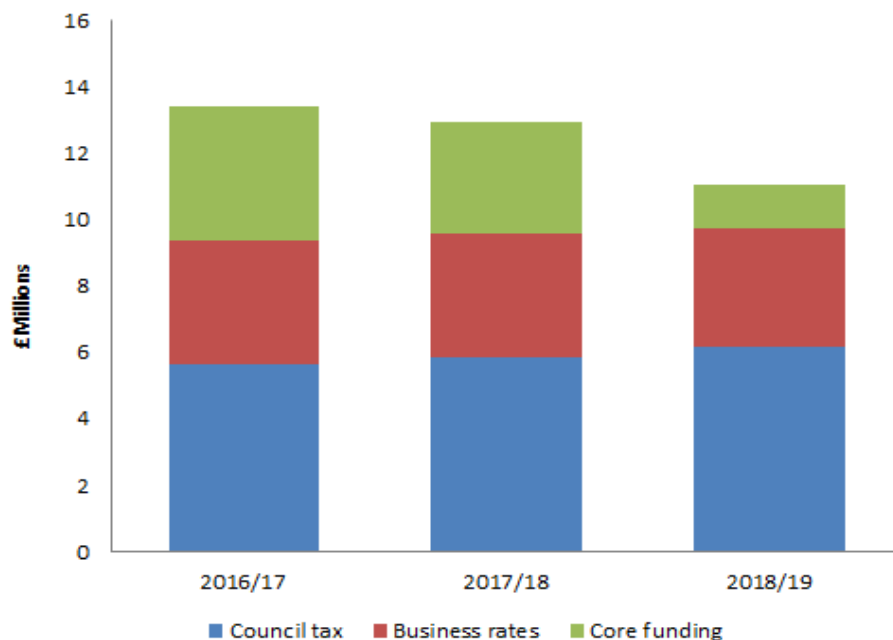


FINANCIAL PERFORMANCE

10. Core Funding

The Council, in line with other shire districts continues to experience an increasing reduction in core government funding. The Government's aim is to phase out non-specific grant funding, instead allowing local authorities to retain a higher proportion of business rates collected locally from 2020/21 financial year. The reduction in core funding places greater pressure on Council Tax now and will continue to do so in future years.

Core funding trend:



11. Financial position

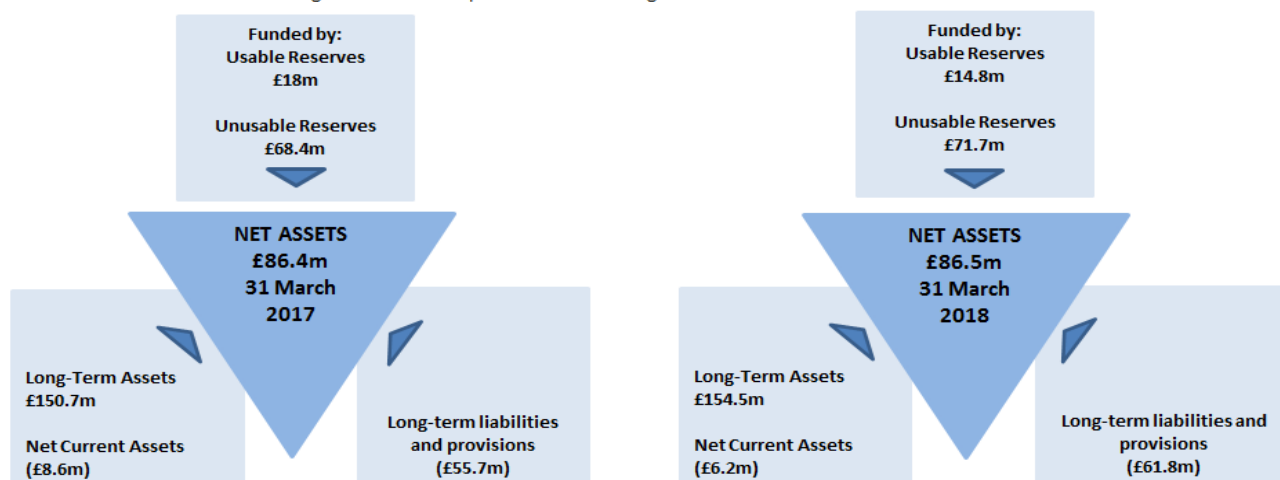
We have maintained a strong financial position against the backdrop of reduced government funding by £739K.

Liquidity ratio (a measure of the Councils' ability to cover short term obligations) has improved from 0.62 in 2016/17 to 0.74 demonstrating active management to improve sustainability.

FINANCIAL POSITION

NET ASSETS £86.5M (86.4M AT 31 MARCH 2017)

The Council maintains a strong balance sheet despite financial challenges



12. Capital

The Council has an ambitious five-year capital programme of £142.88m. The Capital Programme for 2017/18 and beyond will deliver a range of benefits that aim to achieve the Council's objectives:

- 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 and the links to the new Wellesley development
- Development of a site for the provision of a depot for the Council's Waste, Recycling and Street Cleansing services

The table below shows the revised capital programme for 2017/18 and the indicative programme for following four year period 2018/19 to 2021/22:

	FIVE YEAR PLAN							Total
	Estimate 2017/18	Outturn 2017/18	Carry forward 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22	
EXPENDITURE	£000	£000	£000	£000	£000	£000	£000	£000
Corporate Services	24,329	7,477	16,852	16,636	17,288	268	268	58,789
Leisure & Youth	541	376	165	1,729	170	170	170	2,780
Environment & Service Delivery	6,075	3,315	2,760	9,240	16,602	14,602	28,302	74,821
Business, Safety & Regulation	202	145	57	80	30	20	770	1,102
Health & Housing	1,251	1,082	169	1,033	1,033	1,033	1,033	5,383
Total Expenditure	32,398	12,395	20,003	28,718	35,123	16,093	30,543	142,875
FUNDING								
Grants and other Contributions	2,327	1,237	1,090	6,998	5,448	1,048	1,798	17,619
Developers' Contributions	123	123	-	648	30	30	30	861
Capital Receipts/Borrowing	29,948	11,035	18,913	21,072	29,645	15,015	28,715	124,395
Total Funding	32,398	12,395	20,003	28,718	35,123	16,093	30,543	142,875

OUTLOOK

13. Future challenges

To balance the Council's budget, there is a continuing need for innovation and efficiencies. Within the Council is an ethos of reviewing its internal processes and monitoring for economy, efficiency and effectiveness. Through sound financial stewardship, the Council continues to maintain its core services while delivering challenging savings.

The Medium-Term Financial Plan, updated in 2017/18 takes account of reduced government funding, continuing demand for local services and the need to promote the local economy.

The Council is undertaking significant investment in the local economy through ambitious regeneration programmes that are shown in the Council's capital programme. Through the Council's investment property strategy and regeneration, the Council is increasing the potential business rate and investment income, while also providing socio-economic benefits to Aldershot and Farnborough.

To meet the financial challenges in 2017/18, the Council needed to reduce net spending requirement by £0.5m.

13. Future challenges (continued)

This has mainly been achieved by:

- Tighter budget control through increased use of virements, increased scrutiny of additional budget requests and further efficiency focus for budget holders.
- Contract management and re-tendering of significant contracts.

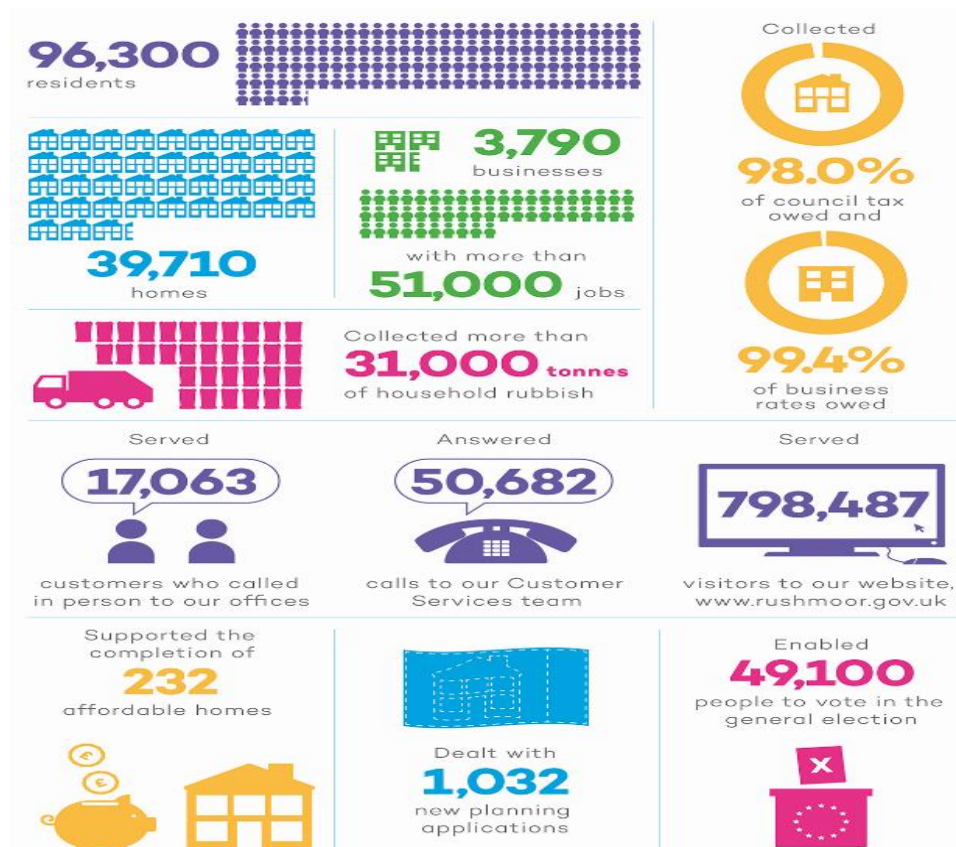
The increase in business rates marginally offsets the reduction in Council Tax. To address future challenges and reinvest in the Borough, Council Tax has increased by 2.99% in 2017/18 from 2016/17 for an equivalent Band D property, raising an additional £175k for the Council.

14. Non-Financial Performance of the Council

During 2017/18, 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 - 29th May 2018 - Rushmoor Borough Council and contains extensive performance data relating to each of our four 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 within the Council's Listen Learn Deliver Better corporate plan for achieving financial sustainability as well as the Organisation Development Programme. The graphic below provides some useful quantitative information about the Council.



BASIS OF PREPARATION AND PRESENTATION

15. Explanation of accounting statements

The Statement of Accounts set out the Council's income and expenditure for the year, and its financial position at 31st March 2018.

The format and content of the financial statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK 2017/18, in turn underpinned by International Financial Reporting Standards.

The Core statements are:

- The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the financial year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unuseable", which must be set aside for specific purposes. **Page 15**
- The **Comprehensive Income and Expenditure Statement** records all the Council's income and expenditure for the financial year. The upper element of the statement provides an analysis by service area. The lower half of the statement shows corporate transactions and financing. **Page 16**
- The **Balance Sheet** is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the end of the financial year. **Page 17**
- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the financial year and whether those changes are due to operating activities, new investment or financing activities. **Page 18**

The supplementary financial statements are:

- The **Expenditure and Funding Analysis** shows the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement. **Page 32**
- The **Collection Fund Statement** is a statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with redistribution payments to Precepting Authorities, Central Government and its own General Fund. **Page 76**
- The **Independent Auditor's Report** provides the auditor's opinion on the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. **Page 79**
- The **Annual Governance Statement** sets out the governance structure of the Council and its key internal controls. **Page 84**

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:

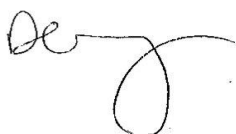
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

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 2018.



Amanda Fahey
Chief Financial Officer
Date: 31st May 2018

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 30th July 2018.

Cr. J. Woolley
Chair of Licensing and General Purposes Committee
Date: 30th July 2018

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.

	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 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 8) on Page 39	(3,011)	(12,969)	(24)	(16,004)	16,004	-
Net increase/(decrease)	562	(12,969)	(24)	(12,431)	36,602	24,171
31 March 2017	10,453	5,863	1,651	17,967	68,416	86,383
Total Comprehensive Income and Expenditure	(443)	-	-	(443)	573	130
Adjustments between accounting basis and funding basis under regulations (Note 8) on Page 40	1,815	(4,612)	49	(2,748)	2,748	-
Net increase/(decrease)	1,372	(4,612)	49	(3,191)	3,321	130
31 March 2018	11,825	1,251	1,700	14,776	71,737	86,513

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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. The Council raises taxation 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.

2016/17			Comprehensive Income and Expenditure Statement	2017/18		
Gross Exp £000	Gross Income £000	Net Exp £000		Gross Exp £000	Gross Income £000	Net Exp £000
3,883	(2,926)	957	Corporate Services	5,261	(3,396)	1,865
7,312	(3,672)	3,640	Environment & Service Delivery	6,968	(3,405)	3,563
39,183	(37,456)	1,727	Concessions & Community Support	38,492	(36,593)	1,899
2,194	(940)	1,254	Health & Housing	2,652	(1,318)	1,334
5,383	(2,953)	2,430	Business, Safety & Regulation	5,277	(3,177)	2,100
4,977	(1,698)	3,279	Leisure & Youth	5,379	(1,731)	3,648
62,932	(49,645)	13,287	Cost of services - continuing operations	64,029	(49,620)	14,409
62	(565)	(503)	Other Operating Expenditure (Note 10)	103	(948)	(845)
3,273	(7,208)	(3,935)	Financing and Investment Income and Expenditure (Note 11)	1,894	(3,244)	(1,350)
16,394	(28,816)	(12,422)	Taxation and Non-Specific Grant Income and Expenditure (Note 12)	16,514	(28,285)	(11,771)
82,661	(86,234)	(3,573)	(Surplus) or Deficit on the Provision of Services	82,540	(82,097)	443
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
	(24,184)		(Surplus) or deficit on revaluation of Property, Plant and Equipment (Note 26)		(848)	
	0		(Surplus) or deficit on revaluation of available for sale financial assets (Note 26)		(50)	
	3,860		Remeasurement of the net defined benefit liability/(asset) (Note 26)		190	
	(20,324)				(708)	
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services			
	(274)		(Surplus) or deficit on revaluation of available for sale financial assets (Note 26)		135	
		(20,598)	Other Comprehensive Income and Expenditure			(573)
		(24,171)	Total Comprehensive Income and Expenditure			(130)

Balance Sheet

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

31 March 2017	Balance Sheet	31 March 2018	
£000		£000	Notes
74,719	Property, Plant & Equipment	85,934	13
258	Heritage Assets	258	14
47,997	Investment Property	46,093	15
662	Intangible Assets	766	17
24,715	Long-Term Investments	15,179	18
2,337	Long-Term Debtors	6,312	18
150,688	Long Term Assets	154,542	
4,136	Short-Term Investments	9,253	18
5,068	Short-Term Debtors	6,010	19
5,025	Cash and Cash Equivalents	2,575	20
14,229	Current Assets	17,838	
12,429	Short-Term Borrowing	12,429	21
10,438	Short-Term Creditors	11,325	22
-	Other Short-Term Liabilities	354	18
22,867	Current Liabilities	24,108	
2,738	Long Term Provisions	3,278	23
2,143	Long Term Borrowing	1,714	24
48,526	Other Long Term Liabilities	53,274	24
2,260	Capital Grants Receipts in Advance	3,493	35
55,667	Long Term Liabilities	61,759	
86,383	Net Assets	86,513	
17,967	Usable Reserves	14,776	25
68,416	Unusable Reserves	71,737	26
86,383	Total Reserves	86,513	

Amanda Fahey
Chief Financial Officer
31st May 2018

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).

2016/17 £000	Cash Flow Statement	2017/18 £000
3,573	Net surplus or (deficit) on the provision of services	(443)
2,365	Adjustments to net surplus or deficit on the provision of services for non cash movements - see Note 27	809
(722)	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 28	(484)
5,216	Net cash flows from Operating Activities	(118)
(18,446)	Investing Activities - see Note 30	(5,238)
11,458	Financing Activities - see Note 31	2,906
(1,772)	Net increase or (decrease) in cash and cash equivalents	(2,450)
6,797	Cash and cash equivalents at the beginning of the reporting period	5,025
5,025	Cash and cash equivalents at the end of the reporting period	2,575

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 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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 and cash equivalents includes all bank accounts including overdrafts that are an integral part of the Authority's cash management.

Cash is represented by cash in hand and deposits with financial institutions repayable without out any penalty on notice of not more than 24 hours.

Cash equivalents are deposits held with financial institutions that mature in no more than one month or less from the date of acquisition and 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 2017/18, 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 2017/18 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 2017/18 (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, and "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 and 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-minimis 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.

xxiv. Borrowing Costs Eligible for Capitalisation

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset (as defined within IAS 23) had not been made. The Council recognises the accounting requirements of IAS 23 and determines the amount of borrowing costs that are eligible for capitalisation by applying a capitalisation rate to the expenditures on the qualifying asset. The capitalisation rate is the total borrowing costs related to the spend on the specific asset based on the average cost of the Council's total debt.

The Council only applies a process of capitalisation of borrowing costs for qualifying assets, in the following circumstances:

- Scheme capital expenditure exceeds £1m,
- Scheme capital expenditure results in an asset or revenue income stream,
- Duration of scheme creation is more than one financial year.

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

For 2017/18 the list of standards are as below:

IFRS 9 Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

- M & G Strategic Corporate Bond Fund
- CCLA LAMIT Property Fund
- UBS Multi-Asset Income Fund
- Threadneedle UK Equity income Fund

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits and bonds) and it already makes a provision for doubtful debts on its service assets (e.g. trade receivables).

There is no estimated additional provision to be made as at 31st March 2018

IFRS 15 Revenue from Contracts

IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

IAS 7 Statement of Cash Flows

IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 31) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

IAS 12 Income Taxes

IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. The Council does not have any income tax within the scope of the new standard.

IFRS 16 Leases

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their Balance Sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). Adoption in 2019/20. The Council does not have any material leases within the scope of the new standard that are not already included in Balance Sheet.

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.

2016/17 Net Expenditure chargeable to the General Fund	2016/17 Adjustments between Accounting and Funding Basis	2016/17 Net Expenditure charged in the CIES		2017/18 Net Expenditure chargeable to the General Fund	2017/18 Adjustments between Accounting and Funding Basis	2017/18 Net Expenditure charged in the CIES
Restated £000	Restated £000	Restated £000		£000	£000	£000
753	204	957	Corporate Services	270	1,595	1,865
3,251	389	3,640	Environment & Service Delivery	3,144	419	3,563
1,673	54	1,727	Concessions & Community Support	1,776	123	1,899
1,144	110	1,254	Health & Housing	1,110	224	1,334
2,069	361	2,430	Business, Safety & Regulation	1,744	356	2,100
2,683	596	3,279	Leisure & Youth	2,517	1,131	3,648
11,573	1,714	13,287	Net cost of services	10,561	3,848	14,409
(12,135)	(4,725)	(16,860)	Other income and expenditure not charged to services but is chargeable to the General Fund	(11,933)	(2,033)	(13,966)
(562)	(3,011)	(3,573)	(Surplus)/Deficit on the Provision of Services	(1,372)	1,815	443
(9,891)			General Fund opening balance for the year	(10,453)		
(10,453) *			General Fund closing balance for the year	(11,825) *		

* 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)
(8,453)	Earmarked Reserves	(9,825)
(10,453)		(11,825)

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

Notes to the Expenditure & Funding Analysis

The adjustment between Accounting and Funding Basis on Page 32 comprises the following amounts:

	2016/17			
	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	Restated £000	Restated £000	Restated £000	Restated £000
Corporate Services	774	(567)	(3)	204
Environment & Service Delivery	271	119	(1)	389
Concessions & Community Support	8	47	(1)	54
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 Surplus	(4,411)	1,380	20	(3,011)

	2017/18			
	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£000	£000	£000	£000
Corporate Services	1,910	(316)	1	1,595
Environment & Service Delivery	215	203	1	419
Concessions & Community Support	32	91	0	123
Health & Housing	112	112	0	224
Business, Safety & Regulation	21	333	2	356
Leisure & Youth	1,004	127	0	1,131
Net cost of services	3,294	550	4	3,848
Other income and expenditure from the Expenditure and Funding Analysis	(2,664)	1,180	(549)	(2,033)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus	630	1,730	(545)	1,815

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 i.e. 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 receivable 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 Comprehensive Income and Expenditure Statement.

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:

2016/17 Revenues from external customers (excluding grants & contributions)		2017/18 Revenues from external customers (excluding grants & contributions)
£000		£000
(2,925)	Corporate Services	(3,397)
(3,652)	Environment & Service Delivery	(3,387)
(263)	Concessions & Community Support	(660)
(124)	Health & Housing	(297)
(2,897)	Business, Safety & Regulation	(3,096)
(1,377)	Leisure & Youth	(1,371)
(11,238)	Total	(12,208)

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

2016/17 £000	Expenditure and Income Analysed by Nature	2017/18 £000
	Expenditure	
11,142	Employee Benefit Expenses	11,094
1,822	Changes in the fair value of Investment Properties	641
2,601	Depreciation, amortisation, impairment	4,554
16,394	Expenditure from Council Tax, Non-Domestic Rates	16,514
11	Interest Payments	73
49,250	Other Service Expenses	48,484
1,440	Net Interest on the net defined benefit liability (asset)	1,180
82,661	Total Expenditure	82,540
	Income	
(6,457)	Changes in the fair value of Investment Properties	(2,424)
(11,265)	Fees, Charges and Other Service Income	(12,112)
(535)	Gain on the disposal of non current assets	(837)
(42,465)	Grants and Contributions	(40,875)
(24,760)	Income From Council Tax, Non-Domestic Rates	(24,968)
(751)	Interest and investment Income	(820)
	Other Income	(61)
(86,234)	Total Income	(82,097)
(3,573)	(Surplus) or Deficit on the Provision of Services	443

5 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 as follows:

- **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's 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 14.

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

The Statement of Accounts contain some estimated figures that are based on assumptions made by the 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 31st March 2018 for which there is a risk of adjustment in the forthcoming financial year are provided below:

Item and Uncertainties	Effect if actual results differ from assumptions
Pensions liability At 31st March 2018, the net Pensions Liability was £50.4 million. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured (the impact of changes in assumptions are outlined in note 39). 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 2017/18, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £1.92 million due to changes in financial assumptions. Many of the financial assumptions are linked to current market conditions. Conversely, the same measurement increased by £5.24 million in the previous year.

7 Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on the 31st May 2018.

There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

8 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.

8	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 received/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 39)	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

8	Adjustments between accounting basis and funding basis under regulations	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	For the year 2017/18	£000	£000	£000	£000
	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)	1,405	-	-	(1,405)
	Revaluation gains/losses on Property, Plant and Equipment	1,215	-	-	(1,215)
	Movements in the market value of Investment Property	(1,783)	-	-	1,783
	Amortisation of Intangible Assets	211	-	-	(211)
	Capital grants and contributions applied	(1,185)	-	49	1,136
	Revenue expenditure funded from capital under statute	1,723	-	-	(1,723)
	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	(384)	-	-	384
	Capital expenditure charged against the General Fund	(126)	-	-	126
	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	(446)	484	-	(38)
	Use of the Capital Receipts Reserve to finance new capital expenditure		(5,096)	-	5,096
	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 39)	3,880	-	-	(3,880)
	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,150)	-	-	2,150
	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	(549)	-	-	549
	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	4	-	-	(4)
	Total Adjustments	1,815	(4,612)	49	2,748

9 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 2017/18.

Earmarked Reserves	Balance as at 31 March 2016 £000	Transfer Out 2016/17 £000	Transfers In 2016/17 £000	Balance as at 31 March 2017 £000	Transfer Out 2017/18 £000	Transfers In 2017/18 £000	Balance as at 31 March 2018 £000
Stability and Resilience Reserve	3,808	-	-	3,808	-	545	4,353
Commuted Sums/Amenity Areas	1,919	(42)	286	2,163	(41)	325	2,447
Service Improvement Fund	447	(319)	481	609	(98)	380	891
Mercury Abatement	484	-	45	529	-	45	574
Insurance Reserve	253	-	-	253	-	-	253
Civil Parking Enforcement Surplus	211	-	221	432	(308)	111	235
Budget Carry Forwards	91	(91)	90	90	(90)	232	232
Other Grants (Individually below £30k)	194	(55)	32	171	(52)	52	171
Flexible Housing Grant	-	-	-	-	-	128	128
Planning Delivery Fund	-	-	-	-	-	125	125
Cohesion/Migration Impact/Gurkha Settlement	195	(67)	-	128	(31)	-	97
TAG Environmental Fund	83	(5)	-	78	-	13	91
Housing & Planning Delivery Grant	66	-	-	66	-	-	66
Land Charges	65	(20)	-	45	-	-	45
Planning Service Improvement	-	-	-	-	-	37	37
Homeless Reduction Act	-	-	-	-	-	37	37
Custom Build Grant	-	-	-	-	-	30	30
North Lane Lodge	-	-	45	45	(32)	-	13
Drug & Alcohol Support	75	(39)	-	36	(36)	-	-
Total of all Earmarked General Fund Reserves	7,891	(638)	1,200	8,453	(688)	2,060	9,825

10 Other Operating Expenditure

2016/17 Gross Exp £000	2016/17 Gross Inc £000	2016/17 Net Exp £000	Other Operating Expenditure	2017/18 Gross Exp £000	2017/18 Gross Inc £000	2017/18 Net Exp £000
-	(20)	(20)	Photovoltaic Cells Feed In Tariff	-	(15)	(15)
-	(10)	(10)	Advertising income	-	(35)	(35)
129	-	129	Other Corporate Income & Expenditure	-	(25)	(25)
-	(535)	(535)	(Gains)/Losses on the disposal of non-current assets	-	(837)	(837)
(67)	-	(67)	Allowance for Doubtful Debts	103	-	103
-	-	-	Other Investment Income	-	(36)	(36)
62	(565)	(503)		103	(948)	(845)

11 Financing and Investment Income and Expenditure

2016/17 Gross Exp £000	2016/17 Gross Inc £000	2016/17 Net Exp £000	Financing and Investment Income and Expenditure	2017/18 Gross Exp £000	2017/18 Gross Inc £000	2017/18 Net Exp £000
11	-	11	Interest payable and similar charges	73	-	73
1,440	-	1,440	Net interest on the net defined benefit liability (asset)	1,180	-	1,180
-	(751)	(751)	Interest receivable and similar income	-	(820)	(820)
1,822	(6,457)	(4,635)	Changes in the fair value of Investment Property	641	(2,424)	(1,783)
3,273	(7,208)	(3,935)		1,894	(3,244)	(1,350)

12 Taxation and Non-specific Grant Income and Expenditure

2016/17 Gross Exp £000	2016/17 Gross Inc £000	2016/17 Net Exp £000	Taxation and Non-specific Grant Income and Expenditure	2017/18 Gross Exp £000	2017/18 Gross Inc £000	2017/18 Net Exp £000
-	(5,664)	(5,664)	Council Tax income	-	(5,864)	(5,864)
-	(78)	(78)	Collection Fund (Surplus)/Deficit - Council Tax	-	(114)	(114)
377	-	377	Collection Fund (Surplus)/Deficit - NDR	255	-	255
15,305	(19,018)	(3,713)	Non Domestic Rates (Income) and Expenditure	15,252	(18,990)	(3,738)
712	-	712	Non Domestic Rates (Safety net)/Levy Payment	1,007	-	1,007
-	(1,104)	(1,104)	Revenue Support Grant	-	(536)	(536)
-	(2,477)	(2,477)	Non-ringfenced Government Grants	-	(2,595)	(2,595)
-	(475)	(475)	Capital Grants and Contributions	-	(186)	(186)
16,394	(28,816)	(12,422)		16,514	(28,285)	(11,771)

13 Property, plant and equipment (PPE)

Movements on balances in 2016/17

	Assets Under Construction	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£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 charge written out and recognised in the Surplus/Deficit on the Provision of Services or 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

13 Property, plant and equipment (PPE)

Movements on balances in 2017/18

	Assets Under Construction	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2017	-	74,378	6,426	3,752	532	85,088
Adjustment	-	(38)	-	-	-	(38)
Additions	2,590	2,202	4,080	68	193	9,133
Revaluation increases recognised in the Revaluation Reserve	-	1,050	-	-	81	1,131
Revaluation decreases recognised in the Revaluation Reserve	-	(107)	-	-	(176)	(283)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(1,254)	-	-	(131)	(1,385)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	169	-	-	-	169
Other movements in cost or valuation	-	(575)	-	-	-	(575)
Derecognition - Disposals	-	-	(2,385)	-	-	(2,385)
Transfers and adjustments	1,720	2,172	-	-	-	3,891
As at 31 March 2018	4,310	77,998	8,121	3,820	499	94,746
Accumulated Depreciation						
As at 1 April 2017	-	(5,716)	(4,653)	-	-	(10,369)
Depreciation - annual charge	-	(1,108)	(296)	-	-	(1,404)
Depreciation charge written out and recognised in the Surplus/Deficit on the Provision of Services or Revaluation Reserve	-	575	-	-	-	575
Derecognition - Disposals	-	-	2,385	-	-	2,385
As at 31 March 2018	-	(6,249)	(2,564)	-	-	(8,813)
As at 31 March 2018	4,310	71,749	5,557	3,820	499	85,935
As at 31 March 2017	-	68,662	1,773	3,752	532	74,719

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 2018 amounting to £1.74m.

Effects of Changes in Estimates

In 2017/18, 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.

Significant movement in assets

During the financial year the Council re-tendered its waste and ground maintenance contract. This resulted in the derecognition of vehicles, Plant and equipment of the value £2,385,499 embedded within the ceased waste and ground maintenance contract and recognition of vehicles of the value £3,416,433 embedded within the re-tendered waste and ground maintenance contract.

14 Heritage assets

Reconciliation of the carrying amount of Heritage Assets held by the Council.	
2016/17	Civic Regalia
Cost or Valuation	£000
1 April 2016	258
Additions	-
Disposals	-
31 March 2017	258
2017/18	Civic Regalia
Cost or Valuation	£000
1 April 2017	258
Additions	-
Disposals	-
31 March 2018	258
Net Book Value	
At 31 March 2018	258
At 31 March 2017	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 and 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 2017/18.

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	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £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	36	36
Donations - carrying value	65	65	61	63	63
Total	104	104	100	99	99
Disposals of Donated Civic Regalia					
Carrying value	-	4	-	-	-
Proceeds	-	-	-	-	-

Information in respect of years prior to 1st April 2013 is not disclosed as it is not practicable to do so.

15 Investment Property

The following items of income and expenditure have been accounted for in the Corporate Service section in the Comprehensive Income and Expenditure Statement:

RESTATED

2016/17 £000	Investment Property	2017/18 £000
(2,520)	Rental income from investment property	(2,985)
572	Direct operating expenses arising from investment property	726
(1,948)	Net (gain)/loss	(2,259)

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 2018.

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

2016/17 £000	Investment Property movements in fair value	2017/18 £000
26,181	Balance at the start of the year	47,997
16,492	Additions	204
688	Transfers	(3,891)
4,635	Net gains/(losses) from fair value adjustments taken to the Comprehensive Income & Expenditure Account	1,783
47,997	Total	46,093

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 31st March 2018 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	2017/18 £000
Commercial/Industrial Units	17,787
Land leased out for mixed use	4,482
Office Units	2,685
Retail use	21,139
Total of all investment properties	46,093

16 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 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 community safety service from 1st April 2017 to 31st March 2018.

	Rushmoor Borough Council 2017/18 £000	Hart District Council 2017/18 £000	Basingstoke and Deane Borough Council 2017/18 £000	Total 2017/18 £000
Employee Related Expenditure	132	129	126	387
Premises Related Expenditure	5	-	-	5
Transport Related Expenditure	1	6	1	8
Supplies & Services	23	6	1	30
Support Services	62	-	-	62
Capital Charges	-	-	-	-
Net Project (Income) / Expenditure	(6)	(1)	-	(7)
Net Expenditure	217	140	128	485
Hosting Charge	(12)	6	6	-

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 £51,000 as at 31st March 2018 are held as a creditor on Rushmoor Borough Council's balance sheet

Project	Balance as at 31st March 2016 £000	2016/17 Project Income £000	2016/17 Project Exp £000	Balance as at 31st March 2017 £000	2017/18 Project Income £000	2017/18 Project Exp £000	Balance as at 31st March 2018 £000
Challenge & Change and OPS Stronghold	2	-	-	2	-	(2)	-
Anti Social Behaviour & Night Time Economy	3	-	-	3	-	-	3
Bike Project	4	-	-	4	-	-	4
Education Programme	6	-	(1)	5	-	(3)	2
OP Moat	2	-	-	2	-	(2)	-
LIBOR Fund	20	-	(18)	2	5	(3)	4
Community Development	14	20	(11)	23	-	(8)	15
Domestic Violence	(11)	-	11	-	-	-	-
Restorative Justice	23	-	(3)	20	-	-	20
Victim Needs Project	13	-	(11)	2	-	(1)	1
Speedwatch	4	-	(3)	1	-	-	1
Other	(2)	1	1	-	-	1	1
	78	21	(35)	64	5	(18)	51

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 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 CCTV service from 1st April 2017 to 31st March 2018.

	Rushmoor Borough Council 2017/18 £000	Hart District Council 2017/18 £000	Total 2017/18 £000
Employee Related Expenditure	143	89	232
Premises Related Expenditure	2	2	4
Supplies & Services	80	37	117
Support Services	63	-	63
Capital Charges	33	-	33
Net Expenditure	321	128	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 2017 to 31st March 2018.

	Rushmoor Borough Council 2017/18 £000	Hart District Council 2017/18 £000	Total 2017/18 £000
Employee Related Expenditure	261	216	477
Premises Related Expenditure	10	9	19
Transport Related Expenditure	3	3	6
Supplies & Services	10	7	17
Support Services	146	-	146
Net Expenditure	430	235	665
Hosting Charge	(7)	7	-
Fees & Charges	(190)	-	(190)
Other Income	(19)	-	(19)

As Hart District Council receive their income directly, no figures are shown for their income.

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.

17 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 £211,000 charged to revenue in 2017/18 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 2018. The movement on Intangible Asset balances during the year is as follows:

2016/17 £000	Intangible assets	2017/18 £000
	Balance at the start of the financial year	
3,077	Gross carrying amounts	2,121
(2,305)	Accumulated amortisation	(1,459)
772	Net carrying amount at start of year	662
128	Additions purchases	315
(1,083)	Disposals	(253)
(238)	Amortisation for the period	(211)
1,083	Reversal of past amortisation of disposal	253
662	Net carrying amount at end of year	766
	Comprising:	
2,121	Gross carrying amounts	2,183
(1,459)	Accumulated amortisation	(1,417)
662	Net book value of intangible assets	766

18 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, Private Finance Initiative (PFI) liabilities and investment transactions.

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

	Long-term 31st March 2017 £000	31st March 2018 £000		Current 31st March 2017 £000	31st March 2018 £000
Investments					
<u>Loans and Receivables</u>					
Fixed Rate Investments	-	-		3,023	-
<u>Available for Sale Financial Assets</u>					
Pooled Funds/Collective Investment Vehicles	24,715	15,179		1,113	9,253
Total investments	24,715	15,179		4,136	9,253
Debtors					
<u>Loans and Receivables</u>					
Debtors due within 1 year*	-	-		4,169	5,282
Long Term Debtors	2,337	6,312		-	-
Total Debtors	2,337	6,312		4,169	5,282
Borrowings					
<u>Financial liabilities at amortised cost</u>					
Borrowing	2,143	1,714		12,429	12,429
Total borrowings	2,143	1,714		12,429	12,429
Other Long Term Liabilities					
Finance lease liabilities	-	2,828		-	354
Total other long term liabilities	-	2,828		-	354
Creditors					
Financial liabilities carried at contract amount**	-	-		4,497	4,039
Total Creditors**	-	-		4,497	4,039

* and ** ... See next page for details

*Debtors due within 1 year excludes £393,000 in respect of Council Tax debtors, HMRC and Non-Domestic Rates, from the total of £6,010,000 reported on the Balance Sheet, as these are statutory levies not falling within the definition of financial instruments. £335,000 is also excluded in respect of Payments in Advance.

**Similarly, short term creditors excludes £6,458,000 from the total of £11,325,000 reported on the Balance Sheet, in respect of Council Tax creditors, Housing Benefit subsidy payments and payments for Non-Domestic Rates. £828,000 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:

2016/17	Financial Liabilities: Amortised Cost £000	Financial Assets		Total £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

2017/18	Financial Liabilities: Amortised Cost £000	Financial Assets		Total £000
		Loans and Receivables £000	Available for Sale £000	
Interest expense	(73)	-	-	(73)
Amortisation of investment	-	-	-	-
Exchange rate loss on derecognition	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	(73)	-	-	(73)
Interest income	-	132	688	820
Total income in Surplus or Deficit on the Provision of Services	-	132	688	820
Net gain/(loss) for the year	(73)	132	688	747

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 2017	Value of Financial Assets			31 March 2018
£000	Input level in Fair Value Hierarchy	Recurring Fair Value Measurements	Valuation technique used to measure	£000
998	Level 1	Floating Rate Note	Unadjusted quoted prices in active markets	-
4,349	Level 1	Covered Fixed Bonds	Unadjusted quoted prices in active markets	4,236
20,481	Level 1	Pooled Funds	Unadjusted quoted prices in active markets	20,197
25,828	Total Fair Value of Financial Assets			24,433

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 2017			31 March 2018	
	Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
Financial liabilities at amortised cost	19,069	19,069		18,182	18,182
Finance lease liabilities	-	-		3,182	3,182
Total Financial Liabilities	19,069	19,069		21,364	21,364

Financial Assets	31 March 2017			31 March 2018	
	Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
Loans and receivables	12,217	12,217		7,857	7,857
Long-term debtors	2,337	2,337		6,312	6,312
Total Financial Assets	14,554	14,554		14,169	14,169

19 Short-Term Debtors

2016/17 £000	Short-Term Debtors	2017/18 £000
390	Central government bodies (excluding Business Rates)	1,479
443	Other local authorities (excluding Precepts)	800
152	Council Tax	160
299	NDR	234
3,336	Other entities and individuals	3,002
448	Payments in advance	335
5,068	Total Debtors	6,010

20 Cash and Cash Equivalents

2016/17 £000	Cash and Cash Equivalents	2017/18 £000
35	Cash held by the Council	6
4,990	Short-term cash deposits	2,569
5,025	Total Cash and Cash Equivalents	2,575

21 Short-Term Borrowing

2016/17 £000	Short-Term Borrowing	2017/18 £000
429	Borrowing from M3 LEP	429
12,000	Borrowing from Local Authorities	12,000
12,429	Total Short-Term Borrowing	12,429

22 Short-Term Creditors

2016/17 £000	Short-Term Creditors	2017/18 £000
4,756	Central government bodies	5,151
2,763	Other local authorities	2,572
1	Council Tax	-
539	NDR	533
1,536	Other entities and individuals	2,241
843	Income in advance	828
10,438	Total Creditors	11,325

The Council are the Local Trusted Organisation for the Prospect Estate Big Local Partnership. As at 31st March 2018, the Council held £60,888 for this purpose in the "Other entities and individuals" line of the creditors analysis (£107,834 at 31st March 2017)

23 Provisions

Long-Term Provisions

2016/17 £000	Long-Term Provisions	2017/18 £000
2,397	Balance at 1st April	2,738
548	Additional provision made in the year	1,535
(207)	Amounts used in the year	(995)
2,738	Balance at 31 March	3,278

The Council had one long-term provision as at 1st April 2017 for £2.738 million in respect of Business Rate appeals, this has now further increased to £3.278 million as at 31st March 2018

24 Other Long-Term Items

2016/17 £000	Other Long-Term Liabilities	2017/18 £000
48,526	Other Long Term Liabilities (Pension Liability)	50,446
-	Finance Lease Liabilities	2,828
48,526	Balance at 31 March	53,274

2016/17 £000	Long-Term Borrowing	2017/18 £000
2,143	Long-Term Borrowing	1,714

25 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on Page 15.

26 Unusable Reserves

Restated

2016/17 £000	Unusable Reserves	2017/18 £000
37,900	Revaluation Reserve	41,590
79,252	Capital Adjustment Account	80,341
468	Available for Sale Financial Instruments Reserve	383
(48,526)	Pensions Reserve	(50,446)
(544)	Collection Fund Adjustment Account	6
(134)	Accumulated Absences Account	(137)
68,416	Total unusable reserves	71,737

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.

2016/17 £000	Revaluation Reserve	2017/18 £000
14,169	Balance at 1st April	37,900
24,192	Upward revaluation of assets	1,131
	- Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(283)
(8)	Other adjustments	-
24,184		848
	Adjusting amounts written to the Revaluation Reserve to amend the transfer of assets from Investment Properties to PPE	3,475
(195)	Difference between fair value depreciation and historical cost depreciation	(632)
(258)	Adjustments to opening book value	
(453)	Amount written off to the Capital Adjustment Account	2,843
37,900	Balance at 31st March	41,590

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.

2016/17 £000	Capital Adjustment Account	2017/18 £000
61,395	Balance at 1st April	79,252
	Amount written out of the Revaluation Reserve	
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(1,349)	Charges for depreciation and impairment of non-current assets (Property, Plant and Equipment)	(1,405)
366	Net revaluation gains (losses) on Property, Plant and Equipment	(1,215)
(238)	Amortisation of intangible assets	(211)
(1,380)	Revenue expenditure funded from capital under statute	(1,723)
(1)	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	(38)
(2,602)	Net of the above transactions	(4,592)
453	Adjusting amounts written out of the Revaluation Reserve to account for difference between fair value depreciation and historical cost depreciation	632
	- Adjusting amounts written to the Revaluation Reserve to account for change in asset classification	(3,475)
(2,149)	Net written out amount of the cost of non-current assets consumed in the year	(7,435)
	<u>Capital financing applied in the year:</u>	
13,505	Use of the Capital Receipts Reserve to finance new capital expenditure	5,096
1,316	Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to Capital financing	1,136
	- Statutory provision for the financing of capital investment charged against the General Fund balances	383
550	Capital expenditure charged against the General Fund	126
15,371	Net of the above transactions	6,741
4,635	Movements in the market value of Investment Property debited or credited to the Comprehensive I&E Statement	1,783
79,252	Balance at 31st March	80,341

Available for Sale Financial Instruments Reserve

2016/17 £000	Available for Sale Financial Instruments Reserve	2017/18 £000
194	Balance at 1st April	468
365	Upward revaluation of investments	586
(91)	Downward revaluation of investments not charged to the Surplus/(Deficit) on the Provision of Services	(671)
468	Balance at 31st March	383

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.

2016/17 £000	Pensions Reserve	2017/18 £000
(43,286)	Balance at 1st April	(48,526)
(3,860)	Remeasurements of the net defined benefit (liability)/asset	(190)
(3,360)	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	(3,880)
1,980	Employer's pensions contributions and direct payments to pensioners payable in the year	2,150
(48,526)	Balance at 31st March	(50,446)

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:

2016/17 £000	Collection Fund Adjustment Account	2017/18 £000
(515)	Balance at 1st April	(544)
(29)	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	550
(544)	Balance at 31st March	6

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.

2016/17 £000	Accumulated Absences Account	2017/18 £000
(143)	Balance at 1st April	(134)
143	Settlement or cancellation of accrual made at the end of the preceding year	134
(134)	Amounts accrued at the end of the current year	(137)
9	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	(3)
(134)	Balance at 31st March	(137)

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

2016/17 £000	Cash Flow Statement - Adjustment to net surplus or deficit on the provision of services for non-cash movements	2017/18 £000
1,349	Depreciation	1,405
(366)	Impairment and downward valuations	1,215
238	Amortisation	211
99	Increase/(decrease) in bad debts	527
2,058	Increase/(decrease) in Creditors	649
3,362	(Increase)/decrease in Debtors	(1,835)
10	(Increase)/decrease in Interest Debtors	57
1,380	Movement in pension liability	1,730
1	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	39
(5,766)	Other non-cash items charged to the net surplus or deficit on the provision of services	(3,189)
2,365	Total adjustment of net surplus or deficit on the provision of services for non-cash movements (as per page 18)	809

28 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	Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2017/18 £000
(536)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(484)
(186)	Any other items for which the cash effects are investing or financing cash flows	-
(722)	Net adjustments to net surplus or deficit on the provision of services for financing and investment cash flows	(484)

29 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000	Cash	2017/18 £000
693	Interest received	648
(4)	Interest paid	(33)
689	Total interest received	615

30 Cash Flow Statement – Investing Activities

2016/17 £000	Cash Flow Statement – Investing Activities	2017/18 £000
(20,510)	Purchase of property, plant and equipment, investment property and intangible assets	(5,696)
(4,000)	Purchase of short-term and long-term investments	(4,000)
(3,130)	Other payments for investing activities	(4,384)
536	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	484
8,000	Proceeds from short-term and long-term investments	8,154
658	Other receipts from investing activities	204
(18,446)	Net cash flows from investing activities	(5,238)

31 Cash Flow Statement – Financing Activities

2016/17 £000	Cash Flow Statement – Financing Activities	2017/18 £000
23,000	Cash receipts of short and long-term borrowing	24,000
1,587	Other receipts from financing activities	3,568
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(234)
(13,129)	Repayment of short and long-term borrowing	(24,428)
11,458	Net cash flows from financing activities	2,906

32 Members' Allowances

In 2017/18 a total of £305,808 was paid out in members' allowances, compared with a total of £298,881 in 2016/17.

33 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	2017/18	105,486	-	21,203	126,689
	2016/17	115,683	660	-	116,343
Corporate Director	2017/18	93,833	317	17,563	111,713
	2016/17	85,627	311	16,203	102,141
Corporate Director	2017/18	81,126	317	16,142	97,585
	2016/17	71,834	285	13,660	85,779
Head of Financial Services and Chief Finance Officer	2017/18	72,748	-	14,535	87,283
	2016/17	72,317	-	13,725	86,042

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 20.1%. This is split 14.1% of pensionable pay for individual employees plus an additional 6% relating to all scheme members.

Note 1: Chief Executive appointed on 8th May 2017, annualised salary of £117,385

Note 2: Corporate Director appointed as Acting Chief Executive from 1st April 2017 to 7th May 2017

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	2016/17	2017/18
	No of employees	No of employees
Remuneration Band		
£50,000 - £54,999	9	7
£55,000 - £59,999	5	7
£60,000 - £64,999	-	1
£65,000 - £69,999	4	4
£70,000 - £74,999	3	3
£75,000 - £79,999	1	-
£80,000 - £84,999	-	1
£85,000 - £89,999	1	-
£90,000 - £94,999	-	1
£95,000 - £99,999	-	-
£100,000 - £104,999	1	-
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	1	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-

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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	No	No	No	No	No	No	£	£
£0-£20,000		2	4	2	6	4	40,964	49,853
£20,001-£40,000			1	1	1	1	28,674	32,197
£40,001-£60,000			1		1		44,991	
Total	2	2	6	3	8	5	114,629	82,050

34 External Audit Costs

2016/17	External Audit Costs	2017/18
£000		£000
50	Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor	50
	Refund of fee payable to Ernst and Young	(6)
8	Fees payable to Ernst and Young for the certification of grant claims and returns	9
58	Total	53

35 Grant Income

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

2016/17 £000	Grant Income	2017/18 £000
	<u>Credited to Taxation and Non Specific Grant Income & Expenditure</u>	
1,104	Revenue Support Grant	536
1,994	New Homes Bonus	1,450
326	Section 31 Grants in Relation to Business Rates	819
475	Capital Grants & Contributions	186
109	New Burden Grant	141
	- Planning Delivery Fund	125
40	Transition Grant	40
5	Top Up Grant	5
3	Council Tax Discount for Family Annexes	6
	- Homeless Reduction IT Set Grant	9
4,056	Total	3,317
	<u>Credited to Services</u>	
	Ministry of Housing, Communities and Local Government	
	- Flexible Homelessness Grant	247
88	Localising Council Tax Admin Subsidy	84
1	Other	-
	Department for Works and Pensions	
36,425	Housing Benefit Subsidy	35,018
353	Housing Benefit Admin Subsidy	326
168	Discretionary Housing Payment	240
58	Other	51
25	Cabinet Office	19
416	Developers Contributions	464
	Hampshire County Council	
816	Better Care Fund	998
	- Department for Environment, Food & Rural Affairs	62
	Other Grants and Contributions	
16	Contributions for other projects	20
26	Local & Parliamentary Elections contributions	22
13	Armed Forces Community Covenant	-
	- Developing Our Communities contribution for specific projects	1
4	Supported through Big Local, administered by Local Trust for the Big Lottery Fund	5
38,409	Total	37,557

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 below:

2016/17 £000	The value of grants and contributions that have yet to be recognised as income as they have conditions attached to them	2017/18 £000
2,260	S 106/grants Developer's contributions & capital grants	3,493
39	Creditor Armed Forces Community Covenant	39
2,299	Total	3,532

36 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 2017/18, the Council provided financial assistance to 88 organisations by way of direct grant payments (£666,748), awards of rent relief (£249,204) and awards of business rates relief (£613,924)

Within the Business Rates Retention Scheme, rate relief 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 88 voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

	£
Rushmoor Citizens Advice	292,528
Places for People Leisure Ltd	272,285
Farnborough and Cove War Memorial Hospital Trust	110,114
Rushmoor Voluntary Services	91,627
Step by Step	75,011
British Heart Foundation	41,694
Basingstoke Canal Management Committee	42,246
Dial-a-Ride	34,094
Farnborough Football Club	31,947
Aldershot Town & District Football in the Community Trust	31,498
Trustees of Farnborough Community Centre Association	30,000

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 2017/18 is shown in Note 32. During 2017/18, no works or services were commissioned from companies in which members had an interest. Financial assistance totalling £966,803 was awarded to voluntary organisations in which 24 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.

37 Capital Expenditure and Capital Financing

As at 31st March 2018 use of borrowing for capital expenditure resulted in the Council incurring a capital financing requirement of £12.586m. Total capital expenditure in 2017/18 was £12.395 million. of which £1.722m was revenue expenditure funded from capital under statute. An amount of £5.717m was drawn from available capital receipts and government grants and contributions amounted to £1.136m. A summary of this expenditure and how it was financed is shown below.

2016/17 £000	Capital Expenditure and Capital Financing	2017/18 £000
-	Opening Capital Financing Requirement	6,548
65	<u>Capital Investment</u> Loan to external body	4,435
3,855	Property, Plant and Equipment	8,899
16,492	Investment Property	205
129	Intangible Assets	315
1,378	Revenue Expenditure Funded from Capital under Statute	1,722
21,919	Total capital investment	15,577
	<u>Sources of Finance</u>	
(13,505)	Capital receipts	(5,096)
(1,316)	Government grants and other contributions	(1,136)
(550)	Direct revenue contributions	(126)
-	- Minimum Revenue Provision	(150)
(15,371)	Total sources of finance applied	(6,507)
6,548	Closing Capital Financing Requirement	15,618
	<u>Explanation of movements in year</u>	
6,548	Increase in underlying need to borrowing (unsupported by government financial assistance)	5,888
	Asset acquired under finance lease	3,182
6,548	Increase/(decrease) in Capital Financing Requirement	9,070

38 Leases

Council as lessee
Finance leases

The Council has identified an embedded finance lease under IFRIC 4 for the refuse and grounds maintenance vehicles. These assets are shown as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2016/17 £000	Finance lease assets	2017/18 £000
-	Vehicles, Plant and Equipment	3,416
-	Total	3,416

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Council and the financial cost that will be payable by the Council in future years while the liability remains outstanding. Minimum lease payments are made up of the following amounts:

2016/17 £000	Finance lease liability	2017/18 £000
-	Finance lease liability (net present value of minimum lease payments)	3,182
-	Finance costs payable in future years	172
-	Total	3,354

The minimum lease payments will be payable over the following periods:

2016/17 £000	Finance lease minimum lease payments	2017/18 £000
-	Not later than one year	392
-	Later than one year and not later than five years	1,535
-	Later than five years	1,427
-	Total	3,354

Finance lease liability over the following periods:

2016/17 £000	Finance lease liabilities	2017/18 £000
-	Not later than one year	354
-	Later than one year and not later than five years	1,432
-	Later than five years	1,396
-	Total	3,182

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:

2016/17 £000	Leases	2017/18 £000
2,878	Not later than one year	3,216
10,384	Later than one year and not later than five years	11,948
92,107	Later than five years	95,041
105,369	Total	110,205

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 2017/18, contingent rents of £76,236, were receivable by the Council, which includes a back-dated rent sum due of £61,000. (£823 in 2016/17).

39 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 31st 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	
	2017/18 £M	2016/17 £M	2017/18 £M	2016/17 £M
Cost of Services:				
Service cost comprising:				
· current service cost	2.69	1.92	-	-
· past service costs	0.01	-	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	1.07	1.29	0.11	0.15
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3.77	3.21	0.11	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)	(0.44)	(13.77)	-	-
Actuarial gains and losses arising on changes in financial assumptions	(0.17)	24.18	-	0.40
Actuarial gains and losses arising on changes in demographic assumptions	-	(1.40)	-	(0.11)
Actuarial gains and losses arising from liability experience	0.76	(5.22)	0.04	(0.22)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	3.92	7.00	0.15	0.22
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	(3.77)	(3.21)	(0.11)	(0.15)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	1.87	1.69		
Retirement benefits payable to pensioners			0.28	0.29

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	
	2017/18 £M	2016/17 £M	2017/18 £M	2016/17 £M
Present value of the defined benefit obligation	135.97	132.45	4.34	4.47
Fair value of plan assets	89.86	88.39	-	-
Net liability arising from defined benefit obligations	46.11	44.06	4.34	4.47

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £M	2016/17 £M	2017/18 £M	2016/17 £M
Opening fair value of scheme assets	88.39	73.84	-	-
Interest income	2.20	2.48	-	-
Remeasurement gain/(loss) on assets	0.44	13.77	-	-
Contributions from employer	1.87	1.69	0.28	0.29
Contributions from employees into the scheme	0.63	0.61	-	-
Net Benefits paid	(3.67)	(4.00)	(0.28)	(0.29)
Closing balance at 31st March	89.86	88.39	-	-

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £M	2016/17 £M	2017/18 £M	2016/17 £M
Opening balance at 1st April	132.45	112.59	4.47	4.54
Current service cost	2.69	1.92	-	-
Interest cost	3.27	3.77	0.11	0.15
Contributions by scheme participants	0.63	0.61	-	-
Remeasurement (gains) and losses:				
Actuarial gains and losses arising from changes in financial assumptions	(0.17)	24.18	-	0.40
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	0.76	(5.22)	0.04	(0.22)
Net Benefits paid	(3.67)	(4.00)	(0.28)	(0.29)
Past service costs	0.01	-	-	-
Closing balance at 31st March	135.97	132.45	4.34	4.47

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 £2.64 million (2016/17: £16.25 million).

Scheme history

	31st March 2018 £000	31st March 2017 £000	31st March 2016 £000
Present value of liabilities: Local Government Pension Scheme	(135,970)	(132,450)	(112,590)
Fair value of assets in the Local Government Pension Scheme	89,860	88,390	73,840
Surplus/(deficit) in the scheme: Local Government Pension Scheme	(46,110)	(44,060)	(38,750)
Discretionary Benefits	(4,340)	(4,470)	(4,540)
Total Surplus/(Deficit) in the Scheme	(50,450)	(48,530)	(43,290)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £50.45 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 2019 is £2.05 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 2018 %	31st March 2017 %	31st March 2016 %
Rate of inflation (RPI)	3.20	3.10	2.90
Rate of inflation (CPI)	2.10	2.00	1.80
Rate of increase in salaries	3.60	3.50	3.30
Rate of increase to pensions in payment	2.10	2.00	1.80
Rate of increase to deferred pensions	2.10	2.00	1.80
Rate for discounting scheme liabilities	2.60	2.50	3.40
Pension accounts revaluation rate	2.10	2.00	1.80

Mortality assumptions:	31st March 2018 Years	31st March 2017 Years	31st March 2016 Years
Longevity at 65 for current pensioners:			
Men	24.1	24.0	24.6
Women	27.2	27.0	26.4
Longevity at 65 for future pensioners:			
Men	26.2	26.0	26.7
Women	29.4	29.3	28.7

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 2018 %	31st March 2017 %	31st March 2016 %
Equities	62.6	60.3	56.3
Property	7.0	6.5	8.2
Government Bonds	23.7	25.2	25.7
Corporate Bonds	1.0	1.4	2.1
Cash	2.6	3.4	4.7
Other assets	3.1	3.2	3.0
	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)	(2.38)	2.43
Rate of increase in salaries (increase or decrease by 0.1% pa)	0.44	(0.44)
Rate of increase to pensions in payment & rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	1.98	(1.95)
Post retirement mortality assumption (increase or decrease by 1 year)	4.00	(3.98)

40 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 2017/18 and the Prudential Indicators for Capital Finance were approved by Council on the 23rd February 2017 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 2017/18 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 2018	Historical experience of default	Historical experience adjusted for market conditions 31st March 2018	Estimated maximum exposure 31st March 2018	Estimated maximum exposure 31st March 2017
	£000 (A)	% (B)	% (C)	£000 (A x C)	£000 (A x C)
Cash and Cash Equivalents AAA rated	2,575	-	-	-	-
Long Term Debtors	6,312	-	-	-	-
Trade Debtors	5,282	0.70	0.70	37	29
	14,169			37	29

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 £1.2 million of the £5.3 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 2017 £000	31st March 2018 £000
Less than two months	1,168	604
Two to six months	121	166
Six months to one year	251	112
More than one year	307	364
Total	1,847	1,246

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 does have some long term borrowing. The maturity analysis of its financial assets and analysis of financial liabilities is as follows:

Maturity Analysis of Financial Assets	31st March 2017 £000	31st March 2018 £000
Less than one year	9,161	12,500
Between one and two years	4,781	463
Between two and three years	460	457
More than three years	21,811	20,571
Total	36,213	33,991

Trade debtors of £5.3 million are not included in the above table.

Analysis of Financial Liabilities	31st March 2017 £000	31st March 2018 £000
Less than one year	12,429	13,454
Between one and two years	429	788
Between two and three years	429	793
More than three years	1,285	2,961
Total	14,572	17,996

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 2018, 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	119
Impact on Surplus or Deficit on the Provision of Services	119

The impact of a 1% fall in interest rates cannot be provided as the base rate prevailing throughout the year 2017/18 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 2017/18.

41 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 2017/18 and prior years. There remains the potential for new claimants to come forward but the value of the liability is unknown.

Collection Fund

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

2016/17 £000	Collection Fund Income and Expenditure Account	2017/18		
		£000	£000	£000
		Council Tax	NDR	Total
	Income			
45,954	Income from Council Tax payers	48,485		48,485
47,849	Income from Non Domestic Rate payers		48,520	48,520
93,803		48,485	48,520	97,005
	Expenditure			
	Precepts			
32,565	Hampshire County Council	34,474		34,474
4,842	Police & Crime Commissioner for Hampshire	5,034		5,034
1,889	Hampshire Fire and Rescue	1,942		1,942
5,664	Rushmoor Borough Council	5,864		5,864
	Business rates:			
122	Allowance for collection		121	121
4,279	Payments to Hampshire County Council		4,272	4,272
475	Payments to Hampshire Fire and Rescue Authority		475	475
19,018	Payments to Rushmoor Borough Council		18,990	18,990
23,772	Payments to Government		23,737	23,737
	Provision for bad and doubtful debts			
358	Council Tax	223		223
273	NDR		213	213
852	Provision for NDR appeals		1,349	1,349
	Collection fund surplus/deficit			
710	Council Tax	701		701
(902)	NDR		(1,947)	(1,947)
93,917		48,238	47,210	95,448
114	Net Movement in Fund	(247)	(1,310)	(1,557)
44	Balance b/fwd 1 April	(1,746)	1,904	158
158	Balance c/fwd 31st March (surplus)/deficit	(1,993)	594	(1,399)
	The (surplus)/deficit as at 31st March allocated to:			
(1,098)	Hampshire County Council	(1,455)	53	(1,402)
(187)	Police & Crime Commissioner for Hampshire	(214)		(214)
(53)	Hampshire Fire and Rescue	(81)	6	(75)
544	Rushmoor Borough Council	(243)	238	(5)
952	Government		297	297
158		(1,993)	594	(1,399)

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 1st 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 and Crime Commissioner, 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: (30,424.24 for 2017/18). This basic amount of Council Tax for a Band D property (£1,555.13 for 2017/18) 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	795	6/9	530
B	5,511	7/9	4,286
C	12,016	8/9	10,681
D	6,919	1	6,919
E	3,419	11/9	4,179
F	1,076	13/9	1,554
G	274	15/9	457
H	4	18/9	8
O (Army)	1,810	-	1,810
Total			30,424

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 31st March 2018 is £121,258,425 and the national non-domestic multiplier was 46.6p. This gives a potential business yield of £56.5 million. The actual business rates collectable for 2017/18 after reliefs is £48.5 million. In addition there is an adjustment to the business rates income for the provision on appeals to the collection fund. This provision for 2017/18 has been increased from £6.8 million to £8.2 million, due to the potential number and value of successful appeals.

Business Rates Revaluation 2017

At revaluation, the Valuation Office Agency (VOA) adjusts the rateable value of business properties to reflect changes in the property market. The most recent revaluation came into effect in England and Wales on 1st April 2017, based on rateable values from 1st April 2015.

Across England as a whole, the revaluation was expected to lead to an 11% increase in the rateable value of the average non-domestic property, with changes unevenly distributed across the country. The business rates multiplier was adjusted so that revaluation would be revenue neutral, after accounting for a forecast of the cost of appeals against the new values.

A complex package of reliefs was introduced to phase in the biggest increase in bills to ratepayers resulting from the revaluation.

The impact of revaluation on the amount of business rates retained by individual councils has been offset by changes to the redistributive "tariffs" and "top-ups" between councils, with the aim of leaving underlying budgets unaffected by revaluation.

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

2016/17 £000	Collection Fund - Provisions for bad or doubtful debts	2017/18 £000
	<u>Council Tax</u>	
970	Provisions at 1st April	1,219
358	Provisions made in year	223
(109)	Written off in year	(83)
1,219	Provisions at 31st March	1,359
	<u>NDR</u>	
764	Provisions at 1st April	777
272	Provisions made in year	213
(259)	Written off in year	(459)
777	Provisions at 31st March	531
	<u>NDR Valuation Appeals</u>	
5,993	Provisions at 1st April	6,844
851	Provisions made in year	1,349
6,844	Provisions at 31st March	8,193

INDEPENDENT AUDITOR'S REPORT TO RUSHMOOR BOROUGH COUNCIL**Opinion**

We have audited the financial statements of Rushmoor Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- And the related notes to the Core Financial statements 1 to 41;
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Rushmoor Borough Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2017/18, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Rushmoor Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibilities of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 13, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Rushmoor Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Rushmoor Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

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

Auditor's Report

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

Certificate

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

Use of our report

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

Andrew Brittain, (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
31 July 2018

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

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

Rushmoor Borough Council**Annual Governance Statement 2017/18****1. Scope of Responsibility**

1.1 Rushmoor Borough Council (the Council) is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and provides Value for Money (VfM). The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for local authorities.

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

1.3 The Council has established governance arrangements, which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance, which is publicised on the Council's website. The Annual Governance Statement sets out how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Regulation 6(1) which requires the preparation of an Annual Governance Statement. It is subject to detailed review by the Licensing and General Purposes Committee when they consider both the draft and final Statement of Accounts and is approved by the Licensing and General Purposes Committee, in advance of them agreeing the Statement of Accounts.

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

- Is a key member of the leadership team, helping to develop and implement strategy and deliver the Council's strategic objectives sustainably and in the public interest
 - is actively involved in and able to influence all material business decisions in line with the Council's financial strategy;
 - leads the whole Council in the delivery of good financial management;
 - directs a fit for purpose finance function;
 - is responsible for the Council's risk strategy
- and
- is professionally qualified and suitably experienced.

1.5 The Head of Financial Services post is proposed to change to the Executive Head of Finance and form part of the Executive Management Team under changes proposed to be introduced during 2018.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled, and the activities through which it accounts to, engages with, and leads the community, residents and service users. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds, which it is entrusted to spend.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.

2.3 The governance framework which has been in place at the Council for the year ended 31 March 2018, has seen reports submitted to the Licensing and General Purposes Committee on the progress made on issues identified in the previous Annual Governance Statement and any ongoing issues are identified for consideration in this Statement.

3. The Governance Framework

3.1 The Council is a Borough District, which was set up in 1974 combining the Urban Districts of Farnborough and Aldershot. The Council's strategic vision and corporate objectives, including financial self-sustainability, are set out in the Council Plan. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

4. Communicating the Council's Vision

4.1 The Council's vision is "Rushmoor Borough Council working with others to improve the quality of people's lives" as set out in the Council Plan 2017/18. The Council's Executive seek to "Listen, Learn and Deliver - Better", in delivering the priorities of the Council Plan. The priorities are:

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

4.2 These Priorities are underpinned by the 8-Point Plan for financial sustainability and by three key transformation projects: Organisational Development; Customer and Digital and Commercialism; and by the Council's Regeneration and Place Projects.

5. Key elements of the Governance Framework

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

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

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

5.1.2 The Council's Constitution details the role of the Policy and Review Panels performing scrutiny and overview functions. The Council has approved revised Scrutiny arrangements with effect from the new municipal year, which will change from a system of Policy and Review Panels to a single Overview and Scrutiny Committee and a single Policy and Project Advisory Board. The Scrutiny process enables those who are not Cabinet Members to call in Key Decisions.

5.1.3 The Head of Democratic and Customer Services, with advice from the Monitoring Officer, keeps the Constitution under review in order to ensure that the arrangements are up to date and compliant with the Council's legal duties. The Licensing and General Purposes Committee consider changes to the Constitution prior to submission to Council for adoption.

5.1.4 The Solicitor to the Council is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the Constitution. Heads of Service have the primary responsibility for ensuring decisions are properly made within the scheme of delegation at appropriate levels of responsibility.

5.1.5 The Council's Constitution contains a Code of Conduct for Councillors, which was reviewed in 2014 and contains the statutory code relating to disclosable pecuniary interests; requirements relating to the disclosure of non-pecuniary interests and sets out the expected behaviour and standards to be adhered to by Councillors. In addition, the Protocol for Member-Officer Relations, the Disciplinary Procedure, the Code of Conduct for Officers, the Whistle Blowing Policy and the Anti-Fraud, Bribery and Corruption Policy set out the standards of service and conduct expected of employees. A review of the Anti-Fraud, Bribery and Corruption policy; the Gifts and Hospitality policy, the Anti-Money Laundering and the Whistle Blowing policy are due to be reviewed in the forthcoming year.

5.1.6 These policies are on the Council's intranet and in the Staff Handbook to increase awareness of their requirements. In order to enable third party challenge to Council operations there is a publicised complaints procedure, reviewed in 2016 to meet the Regulators Code.

5.1.7 Complaints under the Code of Conduct for Councillors are initially assessed by the Monitoring Officer and the Chief Executive, following which, if appropriate, a panel of the Licensing and General Purposes Committee considers allegations of inappropriate behaviour by a Councillor. An Independent Person appointed under section 28 of the Localism Act 2011 provides appropriate scrutiny of the Council's Licensing and General Purposes Committee by sitting on the panel who hears any formal complaint. An independent investigator produces reports for such hearings.

5.1.8 In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest, there is appropriate training provided to safeguard all parties against conflicts of interest. The Council has a cross-party Member Development Group, appointed by the Cabinet, with responsibility for the strategic planning of Councillors' learning and development activities. The Council holds the South East Employers Charter for Member Development. Learning and development support includes Cabinet training, joint development activities with other local authorities and organisations, one-to-one mentoring with new Councillors, Councillors and community leadership roles training, Code of Conduct training and training for regulatory committees and hearings.

5.1.9 The current strategic plan for Councillors' development includes the following:

- Assessment of training needs
- Members Induction Programme – including code of conduct training
- Training and support for the introduction of the new decision-making structures
- GDPR requirements for Councillors' roles
- Programme that supports corporate priorities and objectives
- Range of training and delivery methods including one-to-one mentoring with new Members and those in new roles
- Training for regulatory roles, including audit, licensing and development management
- Skills that support Councillors' community leadership and meeting roles
- Review of members IT support and use of data

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

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

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

5.1.13 In line with Public Sector Equality Duty, the Council has published its Equality Objectives, Workforce Profile and Statutory Gender Pay Gap. The Equalities Impact Assessment template has been reviewed and rolled out to all service areas. All completed EIAs are posted on the Council's web site on the Equalities page.

5.2 Principle B - Ensuring openness and comprehensive stakeholder engagement

5.2.1 The Rushmoor Borough Council Plan 2018/19 (the Council Plan) sets out the Council's vision and four-priority area. Each priority area has targets areas and outcome measures. The Key Projects and Actions for 2018/19 under each priority are listed in the plan together with deliverables for 2018/19. This links the priority areas through to the outcome measures. The delivery mechanism for each key project and action is shown as facilitating, or enabling or delivering. The Council works closely with the County Council and other local public bodies, particularly the Enterprise M3 Local Enterprise Partnership, neighbouring authorities, and community and voluntary groups, via the Community Matters Partnership and Rushmoor Voluntary Services, to ensure effective delivery of its services.

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

5.2.3 Progress on delivering the Council Plan is communicated through a performance management framework. In 2017/18 Cabinet received quarterly reports on performance against the Council Plan and these will be considered quarterly from 2018/19. These reports focus on exception and corrective measures where key performance indicators have not been met. The Overview and Scrutiny Committee will provide the scrutiny function on the delivery of the Council Plan.

5.2.4 In order to demonstrate its openness the Council also publishes:

- Its Pay Policy Statement to support the Annual Budget
- Its Constitution
- Council, Cabinet and Committee Reports
- Records of Executive Decisions
- Cabinet Work Programme
- Information required under the Transparency Code on the Data.Gov.uk website

5.2.5 All Cabinet reports benefit from consideration by the Corporate Leadership Team (CLT) and have Monitoring Officer and the Chief Financial Officer sign off before publication.

5.2.6 The Council believes that all people should have the opportunity to voice their opinions on issues that affect them. The Council adopted a Digital Strategy in April 2017 with a strong customer focus. This seeks to enable the delivery of the Council's work through the digital redesign of services around the customer experience to facilitate a "One Council Approach". This strategy requires the use of digital technologies to integrate front and back office systems and to join up customer contact(s). Analysis of customer data and interactions will be undertaken to gain insight and understanding of customer needs, enabling development of front office systems that can meet customer need. The Council's "Love Rushmoor" mobile app, designed to make reporting of issues simpler for residents has over 500 users and plans are in place to promote its use through community champions network.

5.2.7 The Council also uses traditional methods of communication with its residents such as Arena (the Council's magazine). The Council actively seeks the views of customers and staff through customer satisfaction surveys, community consultations, working with community groups, events and exhibitions, social media and through its web site. The Council has a walk in Customer Services Unit, where customers can seek advice and access services.

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

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

5.3.1 The Council Plan is supported by the 8 Point Plan that is a strategy to ensure financial and service sustainability, by reducing net revenue spend over the medium term, working towards meeting a £2.9m reduction in the budget, identified in the 2017/18 budget setting process. The 8-Point Plan is supported by the Council's Transformation Programme, which is monitored by the Programme Steering Group. Within the Transformation Programme are three work streams; Organisational Development; Customer and Digital; and Income Generation and Commercial - each led by a Senior Responsible Officer. Regeneration and Place projects feed into the 8-Point Plan. Governance arrangements have been strengthened for all major projects via an improved traffic light system of highlight reporting and clear accountability.

5.3.2 In the past year, the Council has seen results from its 8-Point Plan, which has enabled it to strengthen its financial position and helped it to meet the pressures arising from future changes in central government funding, the economic climate and other known risks. The purchase of commercial property in 2016/17, to increase rental streams to the Council, generated around £951,000 per annum gross income (before costs of borrowing and holding costs are taken into account) and the Council expects to build on this success in future years. The Council allocated £15m for the purpose of property acquisition in 2017/18, with a further £25m in 2018/19 for commercial property and other investment opportunities, and £17m for 2019/20. This is a major part of closing the funding gap moving forward, alongside a major modernisation and improvement plan. The current funding gap is forecast to be around £3.8m by 2020/21. The increased focus on financial sustainability, via the Council's 8-Point Plan, the addition of more commercial income streams and greater communication of the financial position has seen a shift in culture throughout the organisation.

5.3.3 The Council continues to face significant financial challenges for the future and will continue with a refreshed financial strategy built around a refresh of the Council's 8-Point Plan and Transformation Programme, with the retention of sufficient reserves to support improvement and to mitigate fluctuations in income and expenditure, particularly from the operation of the business rates retention scheme.

5.3.4 Whilst operating within a constrained budget the Council Plan recognises the need to drive the regeneration of Aldershot and Farnborough Town Centres to deliver the environmental improvements, supporting the Town Centres. Financial resources have been committed to acquiring key properties in Union Street, Aldershot, a key site to support the regeneration of Aldershot, which is unlikely to be achievable without Council intervention. The Council has also been awarded £8.4m of HIF funding to help deliver housing regeneration projects in the Borough and is currently undertaking a selection process for an investment partner to support delivery of its regeneration programme.

5.3.5 The new ten year contract for Waste, Recycling and Street Cleansing and Grounds Maintenance commenced in August 2017. This contract will deliver significant revenue savings. The Council's new depot for the contract is due to open in September 2018. The new service has a comprehensive, integrated ICT solution delivering a customer self-service portal and integration with existing Council systems, such as the mobile App.

5.3.6 The Council's Procurement Strategy recognises the importance of ethics and sustainability with appropriate evaluation of supplier's proposals for Social Value, which includes sustainability issues supported by appropriate contract clauses and monitoring. The Property Minor Works Framework is now operational, ensuring best value and enabling council work to be awarded to SMEs as part of measures being taken by the Council Plan to support SMEs.

5.3.7 The Council has further demonstrated its support of sustainability through an appropriate programme of self-financing capital investment in renewable energy projects in Council owned properties.

5.3.8 The employer supported volunteering scheme helps the Council's employees to volunteer with organisations to compliment the work of the Community Matters Partnership. From using existing skills, to taking on a new challenge, the scheme gives staff the time and support to try volunteering for 2 days per year for full time staff.

5.3.9 The Council aims to make risk management, integral to the governance arrangements in the Council and the risk register and risk monitoring report is considered by the Licensing and General Purposes Committee. Controls Assurance is an important part of the process to assure the Council that the identified risks are being properly controlled. This is carried out at periodic intervals by:

- the Licensing and General Purposes Committee;
- The Corporate Leadership Team
- Heads of Service
- Head of Finance and Solicitor to the Council

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

5.4.1 The new Chief Executive joined the Council in May 2017 and introduced measures aimed at improving governance and accountability. Cabinet reports are now submitted in the names of the Portfolio Holders and presented by them at Cabinet meetings, improving the decision making process with Portfolio Holders being well prepared, briefed and knowledgeable on each area of their brief. A new Corporate Leadership Team including all Heads of Service, the Chief Executive and Directors has been established to improve awareness and corporate understanding of decisions. New management arrangements for Heads of Service have been introduced so that they report to the Directors who have service responsibilities. This change has improved oversight and accountability at senior level. The Chief Executive has consulted upon a restructure of senior management team, aiming to strengthen the focus on the Council's priorities, which is planned to be introduced during 2018/19.

5.4.2 Arrangements are in place to scrutinise decisions and a good relationship exists between Officers and Members based on mutual trust. That trust is maintained by openness and appropriate arrangements to ensure the involvement of all relevant parties at the right level of responsibility, ensuring all strategic decisions are led by Members. The implementation of the agreed policies at officer level is overseen by CLT

5.4.3 In order to achieve its approach to maintaining financial sustainability over the medium – term as set out in the Council's Medium –Term Financial Strategy, the Council has set a budget for the financial year 2018/19 supported by an appropriate assessment of risk by the Head of Finance . The budget proposals were presented to an all Member seminar ahead of consideration by full Council, in order to facilitate understanding of budgetary issues and risks and to aid debate. The budget increased the council tax up to the maximum permissible level for Shire Districts before triggering a referendum, and reflects the expected growth in local business rates. The Council had previously accepted the four-year settlement figures for 2016/17 to 2019/20 offered by government to aid financial planning, which confirmed the significant reduction in central government funding around the Revenue Support Grant. New Homes Bonus continues to be used to support the revenue budget. Key efficiencies and sustainability projects will be supported by continued use of the Service Improvement Fund and the Strategy for the Flexible use of Capital Receipts while reserves to support the general fund are planned to increase modestly over time. In line with comments from the recent Local Government Peer Challenge, these reserves are no longer being used to support on-going service provision. The savings requirement for the financial year 2017/18 of £550,000 was exceeded and some initial savings against the target of £1.55m for 2018/19 have already been achieved. Progress against the savings target will be monitored closely throughout the year.

5.4.4 All Key Decisions to be taken by Cabinet are included in the Cabinet Work Programme, which is published and available to the public. Executive decisions taken under delegated powers, by either officers or individual Cabinet members, are recorded and are available for viewing on the Council's website.

5.4.5 The Licensing and General Purposes Committee is an essential part of good governance. The Licensing and General Purposes Committee has considered the progress made on issues highlighted in the Annual Governance Statement 2016/17. Internal and External Audit both have direct access to and support the Licensing and General Purposes Committee. The detailed matters reviewed by the Licensing and General Purposes Committee during 2017/18 were:

- Scrutiny of proposed Treasury Management Strategy and performance during the year
- External audit plan, progress reports and final audit results report on the Statement of Accounts and “Value for money “ conclusion and Audit Committee briefings from the external auditor
- Internal audit plan, progress updates and audit opinion, including setting of a Quality Assurance Improvement Plan and assessing compliance with Public Sector Internal Auditing Standards.
- Consideration of accounting policies and materiality levels for inclusion in the Statement of Accounts
- Approval of the Statement of Accounts and the Letter of Representation
- Code of Corporate Governance
- Annual Governance Statement
- Annual Review from the Local Government and Social Care Ombudsman
- Appointment of an Independent Person
- Risk Management and the Corporate Risk Register
- Report from Public Sector Audit Appointments (PSAA) on the results of auditor’s work

5.4.6 The work of the Committee is to be supported by focussed training from the external auditor in May 2018, based around a checklist for self-review of the Committee’s effectiveness. In addition, training on Treasury matters is to be supplied in July 2018 by the Council’s Treasury Management Advisors alongside an opportunity for Members of the committee to scrutinise the performance of the advisors. A review of the Terms of Reference for the Committee is also being undertaken alongside a proposed work programme for the forthcoming year.

Scrutiny of budget matters falls within the remit of the Overview and Scrutiny Committee with the member Budget Strategy Working Group playing a role in budget strategy, achievement of the savings plan and Member engagement in the budget process. This ensures openness and transparency in the way in which Officers/Members engage and have ownership in the budget challenge process.

5.4.7 The Licensing and General Purposes Committee is also responsible for councillor conduct issues. The Monitoring Officer and Chief Executive conduct an initial assessment into complaints under the Members Code of Conduct, with hearings being held before three members of the Licensing and General Purposes Committee, following an independent investigation. Where appropriate, matters are reported and considered by full Council.

5.4.8 All Heads of Service prepare Service Plans that contain key actions, performance targets and associated risks, necessary to deliver the objectives of the Council though Service Plans will be delayed in this financial year until the restructure proposals are complete

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

5.5.1 To support the achievement of its strategic priorities, the Council is committed to ensuring it has the right people with the right skills, and has undertaken a skills audit. With the arrival of the new Chief Executive, the Corporate Leadership Team and the Middle Management Group have undertaken team development training. The broader development and the corporate needs of the Council’s staff, being a key part of the Council’s operating model, were considered and prioritised by the CLT resulting in a Learning and Development programme for 2018/19 based on the needs of staff, the Council Plan and new priorities.

5.5.2 The programme for 2018/19 will cover leadership and management development, commercial awareness and political skills, supported by working differently and learning from each other; project and programme management and understanding and working with the community. The Council is also committed to developing opportunities for apprenticeships.

5.5.3 This programme is supported within a performance framework covering all officers, including a Development Review system with targeted, relevant training. The Human Resources Policy and Procedures setting out the appointment process are transparent. There are regular team meetings and one to ones within services to support staff. The Council implements the national agreement on pay and conditions of service. The Council has achieved its commitment to pay the Foundation Living Wage for all staff other than casual staff and has published its gender pay gap information. The Council provides an Employee Assistance Programme to assist staff in balancing the pressures of work with the needs of home life, including a confidential telephone service. The Council, acting through its Chief Executive, provides regular staff briefings and a weekly newsletter.

5.5.4 The Council has a protocol for Member / Officer Relations which ensures an understanding between Elected Members and Officers of their respective role and that a shared understanding of these roles and objectives is maintained.

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

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

5.6.1 The Chief Executive of Rushmoor Borough Council is the Head of Paid Service and is part of the Corporate Leadership Team. Cabinet portfolios are assigned on a functional basis and subject to appropriate officer support.

5.6.2 As part of the budget process, opposition parties have the facility to prepare alternative proposals under the procedure in the Budget and Policy framework, which forms part of the constitution.

5.6.3 The Head of Finance is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services are provided direct through contractual auditors from other authorities as necessary, and work towards Public Sector Internal Audit Standards. The Head of Internal Audit (HIA) reports to the CFO and has unfettered access across the organisation, including to the Chief Executive, CLT and the Chair of Licensing and General Purposes Committee. The HIA attends CLT on a regular basis to provide updates against the audit plan, to raise awareness of risk and present the audit opinion.

5.6.4 The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures, within the Constitution, which comply with good practice. This includes regular management information, management supervision, and a structure of delegation and accountability. Two Corporate Investigation Officers are employed to ensure that the Council has adequate investigative capacity in order to provide deterrence to committing fraud.

5.6.5 The Licensing and General Purposes Committee has responsibility for providing independent assurance on the adequacy of the risk management framework and the internal control and reporting environment including (but not limited to) the reliability of the financial reporting processes and the Annual Governance Statement. In addition, the Licensing and General Purposes Committee needs to satisfy itself that appropriate action is being taken on risk and internal control related issues as identified by the internal and external auditors and other review and inspection bodies. The Council's policy on risk has been reviewed and sets out the Council's overall approach to managing risk. The Corporate Risk Register and risk policy have been updated and risk policies and procedures, implemented across the Council. The Council's Corporate Health and Safety Officer co-ordinates the Council's approach to both Corporate Risk Register and the Business Continuity Plan. The Head of Financial Services will report on progress to CLT and the Licensing and General Purposes Committee. The Council has in place a Business Continuity Plan

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

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

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

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

- A Risk Management Group to review and maintain the Corporate Risk Register and risk policy,
- An appropriate suite of Anti-Fraud and Corruption Policies;
- Assurance provided by the Head of Internal Audit through the Audit Opinion
- Assurance provided via the external auditor's Annual Audit Results Report
- A balanced budget supported by appropriate reserves
- Licensing and General Purpose Committee supported by an Independent Member
- Compliance with the Transparency code
- A Monitoring Officer
- A Performance management system

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

5.7.1 The Council is proactive in engaging with residents and other key stakeholders whose views are reflected in the Council Plan. In 2016/17 after engaging and communicating with key stakeholders, the Council formed a cross party group, the Aldershot Regeneration Task Force, to drive forward the regeneration of the town centre. This approach will be carried forward into the Council's new scrutiny and policy development arrangements with a similar group being established to shape regeneration in Farnborough alongside broad public and stakeholder engagement on key sites.

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

5.7.3 The Council, as part of the Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement during 2018/19 to further support the Council's preference for openness and transparency.

5.7.4 Apart from regular liaison with key Government bodies the Council is also fully engaged with the Local Government Association (LGA). The Council invited the LGA to undertake a peer challenge in December 2017. The report has been published and the recommendations have been accepted will be taken forward from 2018/19 as part of the Council's Modernisation and Improvement Programme (Rushmoor 2020)

5.7.5 External Audit is provided by Ernst & Young LLP, utilising the contracts initially let by the Audit Commission. Management of contracts with audit firms for the delivery of external audit services to local public bodies is now held by Public Sector Audit Appointments Limited (PSAA). The audit is conducted with regard to the Code of Practice produced by the National Audit Office.

5.7.6 It has not been necessary for the Council to request any authorisations for surveillance under the Regulation of Investigatory Powers Act.

Partnership Arrangements

5.7.6 The Council delivers its CCTV service, Community Safety Service and its Building Control Service in partnership with Hart District Council with shared funding. The CCTV service is currently being reviewed to ensure its fit with the strategic aims of both Councils, the coverage being supplied and the ability of the service to react to changing technology and future proofing.

Risks on Significant Projects

5.7.7 The Council has some significant projects, which are included in the capital programme. These may require considerable levels of one-off funding from the Council. The Council has now utilised the bulk of its capital receipts to support the capital programme, much of which will be funded by borrowing in forthcoming years, with consequential effects on the revenue budget in terms of borrowing costs and minimum revenue provision. Affordability of the programme is addressed via the Annual Treasury Management Strategy and the Prudential Indicators for Capital Financing. A Capital Strategy will be prepared for 2019/20 in line with new guidance.

5.7.8 Given the complexity of some projects, particularly the Town Centre regeneration projects, there remains an on-going risk in respect of the long-term financial commitments arising from these projects. The Head of Finance considers this financial risk as part of the Medium Term Financial Strategy and the budget report. Individual reports to support investment in projects have been prepared in 2017/18 for consideration by Cabinet with appropriate comments by key officers to enable appropriate consideration of the issues including risks before a decision is made.

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

5.8 Review of Effectiveness

5.8.1 The Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment; and comments made by the External Auditors, other review agencies and inspectorates and the Peer Challenge Review.

5.8.2 The Council Plan and objectives are established for 2018/19 setting out the framework for the work programme, focusing predominantly on achieving efficiencies, transformation of services and the regeneration programme. That is developed in tandem with the Annual Budget Cycle and the Medium Term Financial Plan (MTFP), underpinned by adequate reserves to support financial resilience.

5.8.3 An internal audit programme is undertaken, which in the current year has focused on key items of risk in the Audit Plan. The risk universe has been updated to show auditable areas as at January 2018 and the risk criteria have been reviewed to ensure the capture of all relevant areas to be considered in determining the level of risk exposure within an auditable area. Internal Audit reports to the Licensing and General Purposes Committee in relation to the Audit plan, progress against the plan, the audit opinion on the system of internal control and any risk issues. A rolling audit plan has been developed for 2018/19, with quarterly updates to both CLT and the Committee.

5.8.4 An external audit of the accounts year ending 31 March 2017 was undertaken by Ernst and Young LLP and reported to the Licensing and General Purposes Committee in September 2017. This provided an Unqualified Opinion that the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended. The auditor also concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Auditor made some recommendations to strengthen the Council's governance arrangements in relation to the role of the Committee, a review of the Council's risk management framework and the way the Council reviewed the advice received from experts, all of which have been progressed during the year. External audit attend the Committee on a regular basis to discuss the external audit plan, progress against the plan, audit fees and the Audit Results Report. In addition, Ernst and Young provide updates on key risks for local government, enabling the committee to be sited on wider risks affecting the sector and prompting discussion and consideration of how those risks are managed at Rushmoor.

5.8.5 In May 2017, L&GP received an audit report from the Head of Internal Audit (HIA) advising that the progress of the Council against the Public Sector Internal Audit Standards (PSIAS) self-assessment should be reported within the Annual Governance Statement as well as the revised future reporting lines of the Audit team. The Audit team report to the Chief Financial Officer while maintaining unfettered access across the organisation, in particular to the Chief Executive, CLT and the Chair of Licensing and General Purposes Committee. During the year, work has been undertaken to achieve further compliance against the PSIAS as set out in the internal audit opinion for 2017/18. This has raised compliance to 285 out of the 336 fundamental principles, with a further 27 principles being partially compliant and 12 not being applicable. A Quality Assurance and Improvement Plan is included in the Opinion report and aims to raise compliance further in 2018/19.

5.8.6 The Opinion report also recommends the following areas for coverage within the Annual Governance Statement:

- Progress on the reconstituted risk management process
- Progress on meeting General Data Protection Regulation requirements
- Progress on the development of an Asset Management Strategy

5.8.7 Significant work has been undertaken during the year to develop a revised corporate risk register and improve reporting on risk both to Members and management, while both GDPR and asset management are picked up in the section below for action during 2018/19. Progress on these actions will be monitored by internal audit and reported quarterly to L&GP and CLT.

6. Significant Governance Issues

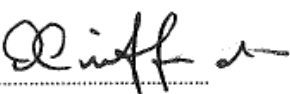
6.1 The Annual Governance Statement identifies the following governance issues and major risks for the Council. These are:

2017/18 Governance Issues

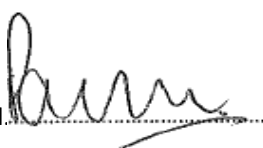
GOVERNANCE ISSUE	ACTION	RESPONSIBLE OFFICER
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice	Develop and adopt <ul style="list-style-type: none"> • Capital Strategy; • Asset Management Plan; and Investment Properties Performance criteria	Head of Financial Services
EU General Data protection Regulation	Ensure that the necessary changes for the GDPR are completed and implemented from the 25th May 2018	Deputy Monitoring Officer
Restructure of the Council's Senior Management Team	Monitor the risks created by the review and ensure that the Council has appropriate resilience during a time of change	Corporate Directors and Chief Executive
Introduction of new governance arrangements	Ensure that the working arrangements are transparent and understood and the necessary support and training is provided for Council Members	Head of Democratic and Customer Services

7. Summary

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

Signed 

Leader of the Council

Signed 

Chief Executive

Glossary of Terms**Assets Held For Sale**

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

Billing Authority

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

Capital Expenditure

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

Capital Receipts

The proceeds from the disposal of land or other assets.

Collection Fund

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

Community Assets

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

Corporate and Democratic Core

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

Current Assets

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

Depreciation

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

Financial Instruments

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

Finance Lease

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

Government Grants

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

Heritage Assets

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

Intangible Assets

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

Inventories

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

Investments

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

Investment Properties

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

Joint Ventures

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

Liabilities

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

Long Term Assets

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

Non-Distributed Cost

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

Operating Leases

A lease other than a finance lease.

Provisions

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

Related Party Transactions

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

Reserves

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

Revenue Expenditure

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

Revenue Support Grant

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

Useful Life

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

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