

FAREHAM
BOROUGH COUNCIL

**STATEMENT OF
ACCOUNTS**

**for the year ended
31st March 2015**

STATEMENT OF ACCOUNTS

**for the year ended
31st March 2015**

A. WANNELL CPFA

DIRECTOR OF FINANCE & RESOURCES

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ALL ABOUT US

Where is Fareham?

Fareham Borough Council is one of 11 Borough Councils in the County of Hampshire. It lies on the south coast between the major cities of Portsmouth to the east and Southampton to the west being bordered by Winchester City Council to the north and Gosport Borough Council to the south. The Borough of Fareham covers some 30 square miles and has a population of 112,800.

With the town at its centre, the Borough covers the wards of Fareham, Portchester, Stubbington, Hill Head, Titchfield, Park Gate, Warsash, Locks Heath and Sarisbury.



Fareham has a proud heritage of being a market town and can date its origins back to a small settlement that was developed before Roman times around a crossing point of the River Wallington, close to the top of the present day High Street.

The town has the enviable position of the seafront to the south and open countryside to the north both within close proximity which opens up many leisure opportunities for residents and visitors.



What Does The Council Do?

Fareham Borough Council's aim is to make Fareham a prosperous, safe and attractive place to live and work by promoting economic, social and environmental well-being and sustaining the quality of life that Fareham residents have come to enjoy.

The Chief Executive Officer is responsible for the overall co-ordination and management of Fareham Borough Council's services. He is supported by four departments which all carry out a wide range of services. The majority of the departments are located in the Civic Offices, at the heart of the town centre.

Political Issues

The Council is currently made up of 31 councillors. The Borough is divided into 15 wards and there are 2 councillors representing each of them, except Portchester East which has 3 councillors as it has a larger population.

Each councillor is elected for a 4 year term of office. Elections are held every two years, with one half of the Council seats elected each time. There are currently two political groups within Fareham Borough Council; Conservative and Liberal Democrats, one United Kingdom Independence Party councillor and two Independent councillors.

THE EXPLANATORY FOREWORD

1. Introduction

Fareham Borough Council's accounts for the year 2014/15 are set out commencing on page 11.

The purpose of each of the main statement pages is explained below:

The Comprehensive Income and Expenditure Statement shows all income and expenditure incurred by the Council throughout the year. It includes day-to-day transactions from running the organisation as well as gains/losses on assets and pension liabilities. The Total Comprehensive Income and Expenditure shown represents the total movement in the Council's reserves during the year.

The Balance Sheet shows the financial position of the Council and discloses the assets and liabilities for all Council services. At the Balance Sheet date the net worth of the Council was £117.8 million.

The Movement in Reserves Statement summarises the changes in balances on the Council's reserves in the year. Reserves are classified as either usable or unusable. Usable reserves include the unallocated General Fund and HRA Balances, Earmarked Revenue Reserves and the Capital Receipts Reserve. These are the reserves that the Council can apply to future expenditure subject to statutory conditions (e.g. the Capital Receipts Reserve can only be used to finance capital expenditure). Unusable reserves such as the Capital Adjustment Account and Revaluation Reserve generally reflect the timing differences between the purchase and the consumption of economic benefits of assets.

The Cash Flow Statement summarises the Council's cash transactions for the year.

In addition, the supplementary financial statements are shown on pages 57 to 63 consist of:

The Housing Revenue Account Income and Expenditure Statement and Statement of Movement on Housing Revenue Account Statement which shows the income and expenditure on council housing.

The Collection Fund which records all income from council tax and business rates. Expenditure includes the precepts to the Government, Hampshire County Council, Hampshire Fire and Rescue Authority, Police and Crime Commissioner for Hampshire and Fareham Borough Council's own demand on the Collection Fund. The Collection Fund is not incorporated within the Comprehensive Income and Expenditure Statement as it reflects the statutory requirement for billing authorities to maintain a separate fund.

These accounts are supported by the accounting policies and various notes to the accounts.

This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. The tables on the following pages show in broad terms where the Council's money comes from, what it is spent on and what services it provides.

2. Where The Money Comes From

The main sources of the Council's income to pay for services are set out in the following table:

	£'000	%
Income from services	20,119	44
Government grants to services	22,233	49
Council tax payers	5,806	13
Central Government Funding	5,538	12
Use of reserves and corporate income	(8,478)	-18
Total	<u>45,218</u>	<u>100</u>

3. What The Money is Spent on

The main types of expenditure on services are set out in the following table:

	£'000	%
Employees and internal support	13,067	29
Running expenses	13,489	30
Transfer payments	19,075	41
Capital charges and costs	(413)	0
Total	<u>45,218</u>	<u>100</u>

Running expenses include the maintenance of buildings, operating vehicles and the purchase of supplies and services. Transfer payments include council tax benefit and housing benefit (rent allowances to private sector tenants and rent rebates to Council tenants).

4. The Services Provided

The gross expenditure of the main services provided by the Council and the revised budget for 2014/15 is set out in the following table:

	Gross Expenditure £'000	Revised Budget £'000	Variation £'000
Central services to the public (e.g. local land charges, elections, council tax collection)	1,988	2,297	309
Cultural and related services	2,917	4,155	1,238
Environmental and regulatory services	6,144	6,124	(20)
Planning services	8,635	3,380	(5,255)
Highways and transport services	1,839	2,100	261
Local authority housing (HRA)	(1,016)	6,450	7,466
Other housing services (e.g. housing strategy and advice, housing benefit administration)	21,988	22,537	549
Corporate and democratic core	2,712	2,639	(73)
Non-distributed costs (e.g. pension adjustments)	11	214	203
Total	<u>45,218</u>	<u>49,896</u>	<u>4,678</u>

The main variations are:

- Cultural and related services - revaluation gain of £1.6 million for Portchester Community Centre.
- Planning services - impairment loss of £4 million for Daedalus and £1.5 million runway costs.
- HRA - £7.8 million revaluation gain for council dwellings.

5. Capital

In 2014/15, the Council spent £19.8 million on projects in the capital programme, compared with a revised budget of £23.1 million. The net under spending of £3.3 million was mainly the result of the shortfall in the Investment Property Purchases scheme now expected to occur in 2015/16.

The total spending is analysed over services in the following table:

Capital Expenditure:	£'000	%
Daedalus Innovation Centre	5,045	26
*Collingwood Court	3,437	17
Leisure Services	3,194	16
*Council Housing Improvements	2,414	12
Investment Property Purchases	2,174	11
Daedalus Runway	1,475	7
Other Housing	657	3
*Council Housing Purchases	562	3
*Council Housing New Builds	356	2
Information, Communications & Technology	137	1
Council Buildings	124	1
Other Services	114	1
Vehicles	46	0
*Council Housing Vehicles	40	0
Total	19,775	100

Financed by:	£'000	%
Revenue and Reserves	10,660	54
Government Grants	5,381	27
Capital Receipts	2,775	14
External Contributions	959	5
Total	19,775	100

*Council Housing capital expenditure was financed by the Housing Revenue Account revenue and reserves (£6.6 million), capital receipts (£0.2 million).

£0.6 million of the total capital expenditure was not capitalised and was charged to revenue.

Assets are shown on the balance sheet net of depreciation. The net book value of the Council's non-current assets at 31 March 2015 was £183 million (2013/14 £158 million).

6. Reserves

The Council's total usable reserves at 31 March 2015 amounted to £37.8 million (2013/14 £38 million). Against this, the actuarial valuation of the Council's share of pension fund assets and liabilities at 31 March 2015 indicated a £52.0 million (2013/14 £45.2 million) deficiency of assets compared with future liabilities to current members of the pension scheme. This liability has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. The actuarial valuation will be reviewed each year, and will reflect further payments into the fund, and movements in the value of investments of which a large proportion is held in equities. The deficiency could increase, decrease, or become a surplus before the majority of liabilities (pension benefits) become payable.

7. Significant Developments during the Year

There were a number of significant developments during 2014/15:

Daedalus Airfield

The Council acquired approximately 369 acres of land at Daedalus which comprises an airfield and the East/West Enterprise Zone development areas, on 27 March 2015. During the year, £1.5m of runway improvement works were completed allowing a greater variety of planes to use the airfield and a £5.3m Innovation Centre was completed offering office space and workshop facilities for new start-up businesses, with a focus on the engineering, aerospace, aviation and marine industries. As part of the land acquisition, the Council received a £4.25 million grant from the Homes and Communities Agency to further develop the site.

Local Housing Company

During the year, the Council formed a new local housing company, Aspect Building Communities Ltd, in partnership with Eastleigh Borough Council, First Wessex and Radian Housing Association to facilitate housing and economic development in the Borough.

Fareham and Gosport Environmental Health Partnership

The Fareham and Gosport Environmental Health Partnership came into operation during 2014/15 providing environmental health services to both Fareham and Gosport Borough Councils. The Partnership builds on the existing arrangement which was in place since 2011 where there was a shared Head of Environmental Health for both councils.

The Partnership will deliver efficiencies and savings to both councils in the way the service is operated and delivered. The existing environmental health staff employed by Gosport Borough Council transferred under TUPE to Fareham Borough Council. The Partnership has a policy of sharing expenditure (excluding internal recharges) on a 50/50 basis. All income is retained by the relevant authority.

The Vanguard Method

The Council has been working with the Vanguard Consultancy since 2013 to improve the customer experience by redesigning services and procedures from a customer's perspective. Adopting the Vanguard method has achieved over £380,000 of on-going savings; whilst improving services delivered to the residents of the Borough. The points below highlight some of the key service improvements that have been achieved to date:

- The time taken to process benefit claims has fallen from 17 days to 10 days and customers now deal with a single employee.
- The average time to complete a day-to-day repair on a Council property has fallen significantly to less than 8 days. Tradesmen are now able to access a customer's property on the first visit in over 97% of cases.
- Within Parking Enforcement there has been a 50% reduction in the number of challenges to penalty charge notices received by the Council.
- The new way of working, within Development Management, has seen the average time taken to process planning applications fall from 56 days to 36 days. This includes the statutory consultation period, required on planning applications.

Housing Responsive Repairs Service

Following the Vanguard intervention into the Housing Responsive Repairs Service, the service was brought in-house from 1 April 2015. Prior to this, the delivery of the service was a mixture of an in-house service and a contractor. The Vanguard intervention identified that this was not delivering the best service as it was duplicating work and complicating the service for customers. By bringing the whole service in-house it is estimated to generate annual savings of £160,000.

STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council 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 Council that officer is the Director of Finance and Resources.
- manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- approve the statement of accounts. Responsibility for this has been delegated to the Audit and Governance Committee.

The Director of Finance and Resources Responsibilities

The Director of Finance and Resources is responsible for the preparation of the Council's Statement of Accounts, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2015.

In preparing this statement of accounts, the Director of Finance and Resources has:

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

The Director of Finance and Resources has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2015 and its income and expenditure for the year then ended.

Signed:

A Wannell CPFA
Director of Finance and Resources

Date: 30 June 2015

CONFIRMATION OF APPROVAL BY MEMBERS

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 21 September 2015.

Signed on behalf of Fareham Borough Council:

Chairman of Audit and Governance Committee
Fareham Borough Council

Date: 21 September 2015

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement in note 6.

2013/14				2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
2,113	(1,047)	1,066	Central services to the public	1,988	(796)	1,192
3,478	(600)	2,878	Cultural and related services	2,917	(2,444)	473
6,238	(1,813)	4,425	Environment and regulatory services	6,144	(1,962)	4,182
3,865	(780)	3,085	Planning services	8,635	(634)	8,001
2,003	(3,012)	(1,009)	Highways and transport services	1,839	(2,928)	(1,089)
5,782	(11,521)	(5,739)	Local authority housing (HRA)	(1,016)	(12,257)	(13,273)
21,722	(20,096)	1,626	Other housing services	21,988	(21,108)	880
3,029	(243)	2,786	Corporate and democratic core	2,712	(259)	2,453
11	(1)	10	Non distributed costs	11	0	11
48,241	(39,113)	9,128	Cost of Services	45,218	(42,388)	2,830
Other Operating Expenditure						
1,290			(Gain) or loss on disposal of assets			(247)
158			Housing capital receipts to Government pool			174
Financing and Investment Income and Expenditure						
1,405			Interest payable and similar charges			1,399
(431)			Interest receivable			(392)
2,510			Pension net interest cost (note 14)			1,890
1,407			Changes in fair value of investment properties (note 16)			1,286
(2,087)			Investment properties rental and expenses (note 16)			(1,974)
Taxation and Non-Specific Grant Income						
(5,733)			Council Tax Income			(5,806)
(1,645)			Non-Domestic Rates Income			(1,865)
(5,353)			Grants and contributions not distributable to services (note 8)			(11,808)
649			(Surplus) or Deficit on Provision of Services			(14,513)
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets						
(923)			Equipment assets			(7,371)
(17,051)			Pension liability remeasurements (note 14)			4,991
(17,974)			Other Comprehensive Income and Expenditure			(2,380)
(17,325)			Total Comprehensive Income and Expenditure			(16,893)

BALANCE SHEET

The Balance Sheet summarises the position of the Council's assets and liabilities as at the Balance Sheet date. The net assets are matched by a combination of usable and unusable reserves. These are shown in more detail in notes 6, 25 and 27.

31 March 2014 £'000		31 March 2015 £'000	Notes
	Property, Plant and Equipment		15
82,870	- Council dwellings	91,617	
36,223	- Other land and buildings	48,019	
556	- Infrastructure	496	
3,489	- Vehicles, plant, furniture, equipment	2,885	
353	- Community assets	350	
194	Heritage assets	187	
33,070	Investment properties	33,958	16
1,200	Assets under construction	5,351	
10	Surplus assets held for disposal	10	
118	Intangible assets	87	
2,000	Long term investments	4,000	28
81	Long term debtors	79	
160,164	Long term assets	187,039	
26,149	Short term investments	23,159	28
1,265	Assets held for sale	48	17
27	Inventories	27	
3,782	Short term debtors	7,050	21
125	Payments in advance	133	
12,325	Cash and cash equivalents	16,186	20, 28
43,673	Current assets	46,603	
(1,430)	Short term borrowing	(1,582)	28
(8,684)	Short term creditors	(10,111)	22
(445)	Depositors	(188)	
(1,828)	Provisions	(3,021)	23
(12,387)	Current liabilities	(14,902)	
	Receipts in advance		24
(4,711)	- Capital grants	(6,706)	
(261)	- Revenue grants	(2,090)	
(40,400)	Long term borrowing	(40,200)	28
(45,219)	Pension scheme liability	(51,992)	14
(90,591)	Long term liabilities	(100,988)	
100,859	Net assets	117,752	
37,960	Usable reserves	37,706	6, 25
62,899	Unusable reserves	80,046	27
100,859	Total Reserves	117,752	

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2014	6,200	17,376	4,118	3,048	6,951	267	37,960	62,899	100,859
Movement in reserves during 2014/15									
Surplus/(deficit) on provision of services	3,162		11,351				14,513		14,513
Other Comprehensive Income and Expenditure							0	2,380	2,380
Total Comprehensive Income & Expenditure	3,162	0	11,351	0	0	0	14,513	2,380	16,893
Adjustments between accounting basis and funding basis under regulations	(3,544)	(356)	(9,217)	(2,966)	(1,064)	2,380	(14,767)	14,767	0
Net increase/(decrease) before transfers to earmarked reserves	(382)	(356)	2,134	(2,966)	(1,064)	2,380	(254)	17,147	16,893
Transfers to/from earmarked reserves	726	656	(1,382)				0		0
Increase/(decrease) in 2014/15	344	300	752	(2,966)	(1,064)	2,380	(254)	17,147	16,893
Balance at 31 March 2015 carried forward	6,544	17,676	4,870	82	5,887	2,647	37,706	80,046	117,752

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Restated Balance at 31 March 2013	6,976	13,470	4,358	2,650	11,253	19	38,726	44,808	83,534
Movement in reserves during 2013/14									
Surplus/(deficit) on provision of services	(4,821)		4,172				(649)	0	(649)
Other Comprehensive Income and Expenditure							0	17,974	17,974
Total Comprehensive Income and Expenditure	(4,821)	0	4,172	0	0	0	(649)	17,974	17,325
Adjustments between accounting basis and funding basis under regulations	5,771		(2,232)	398	(4,302)	248	(117)	117	0
Net increase/(decrease) before transfers to earmarked reserves	950	0	1,940	398	(4,302)	248	(766)	18,091	17,325
Transfers to/from earmarked reserves	(1,726)	3,906	(2,180)				0		0
Increase/(decrease) 2013/14	(776)	3,906	(240)	398	(4,302)	248	(766)	18,091	17,325
Balance at 31 March 2014 carried forward	6,200	17,376	4,118	3,048	6,951	267	37,960	62,899	100,859

CASH FLOW STATEMENT

This statement summarises the movements in the Council's cash transactions. It shows the volume of financial activity that takes place between the Council and its stakeholders.

The Cash Flow Statement is different to the other statements because it is on a cash basis and some of the figures may not agree with other figures in the accounts which are on an accruals basis (i.e. based on amounts payable and receivable rather than actually paid or received). The bottom section of the statement shows a reconciliation of the movement in Cash and Cash Equivalents in the year to the figures shown in the Balance Sheet.

2013/14 £'000		2014/15 £'000	Notes
(649)	Net surplus or (deficit) on the provision of services	14,513	
11,069	Adjustments to surplus or deficit on the provision of services for non-cash movements	(1,607)	34
(2,342)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(8,090)	35
8,078	Net Cash flows from operating activities	4,816	
	Investing Activities		
(7,231)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(16,750)	
(28,000)	Purchase of short-term and long-term investments	(30,000)	
937	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,843	
22,000	Proceeds from short-term and long-term investments	31,000	
2,156	Other receipts from investing activities	10,170	
(10,138)	Net Cash flows from Investing Activities	(3,737)	
	Financing Activities		
191	Cash receipts of short and long-term borrowing	152	
4,018	Other receipts from financing activities	2,830	
(200)	Repayments of short and long-term borrowing	(200)	
4,009	Net Cash flows from Financing Activities	2,782	
1,949	Net increase or decrease in cash and cash equivalents	3,861	
10,376	Cash and cash equivalents at the beginning of the reporting period	12,325	20
12,325	Cash and cash equivalents at the end of the reporting period	16,186	

NOTES TO THE ACCOUNTS

1. Accounting Policies

This note sets out the accounting policies followed in compiling the Council's accounts. The aim of the statement is to explain the basis of the figures in the accounts and to disclose policies that are significant and relevant to the Council.

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

With the exception of the Cash Flow Statement the accounts are drawn up on the basis that financial transactions are accounted for in the year that it takes place, not necessarily when cash payments are made or received. In particular:

- Fees, charges and rents are due from customers and income from the provision of services are accounted for as income at the date the Council provides the relevant goods or services i.e. when it is probable that the economic benefits associated with the transaction will flow to the Council.
- Supplies and services expenditure is 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.
- Capital works are charged as expenditure when they are completed, and are carried as Assets under Construction on the Balance Sheet until the asset is brought into use.
- Interest receivable on investments and payable on borrowings is accounted for 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 income 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. Exceptions to this relate to utility bills and other similar payments which do not vary significantly between years and are charged at the date of payment rather than being apportioned between financial years. Also, small amounts outstanding at year end are treated on a payments basis. In total, these do not have a material effect on the year's accounts.
- Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

iii. Cash and Cash Equivalents

Cash and cash equivalents is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours and are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are

repayable on demand and form an integral part of the Council's cash management arrangements.

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

Service revenue accounts, 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 assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These amounts are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserve Statement for the difference between the two.

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 wages and 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 entitlements and accrued flexible working hours earned by employees but not taken before the year-end which employees can carry forward into the next financial year. 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 at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Post-Employment Benefits (Retirement Pensions)

Most employees of the Council are members of 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 and other relevant bodies.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet based on an actuarial valuation. Full details of the valuation method are shown in note 14 to the core financial statements.

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:** this is the increase in liabilities as a result of a scheme amendment or curtailment 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 on the net defined benefit liability, i.e. net interest expense for the Council:** the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period. Taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- **The return on plan assets:** excluding amounts included in net interest on the net defined benefit liability 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. Charged 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 transfers 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 Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the date of the Balance Sheet and the date when the Statement of Accounts is authorised for issue. There are two types of event:

- Adjusting events - those that provide evidence of conditions that existed at the Balance Sheet date - for this type of event the accounts are adjusted to reflect such events.
- Non-adjusting events - those that are indicative of conditions that arose after the Balance Sheet date - for this type of event the accounts are not adjusted to reflect such events. However, where the event 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 authorised for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities 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. In most cases the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year.

Financial Assets

Financial assets are classified as loans and receivables which are initially measured at their fair value and carried 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.

x. Grants and Contributions

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 receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced 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.

xi. Heritage Assets

Heritage Assets are assets which have historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

Heritage assets shall normally be recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets shall be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Where there is no historical cost information, it will not be recognised in the Balance Sheet but, where material, will be described in the notes to the accounts.

An assessment is made as to whether the asset has an infinite or limited economic life. If it is a limited economic life then it is depreciated on a straight line basis over that term.

The Council does not have a programme to dispose of Heritage Assets as they are being held and maintained for the benefit of future generations.

xii. Intangible Assets

Expenditure on assets that do not have physical substance but are controlled by the Council (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.

Intangible assets are measured initially at cost. Amounts are not re-valued, as the fair value (i.e. estimated market value) of the assets cannot be determined by reference to an active market. 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.

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.

xiii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at cost as this is not materially different from the recommended practice of carrying them at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions. 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 respect of leases on 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.

xv. Leases

Leases are classified as either finance leases or operating leases. A finance lease is any arrangement where substantially all the risks and rewards incidental to ownership of the property, plant or equipment transfer from the lessor to the lessee. Leases that do not transfer substantially all of the risks and rewards are classified as operating leases.

Where an arrangement includes 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 are 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 as Lessee - Operating Leases

The Council does not have any material operating leases where the Council is lessee.

The Council as Lessor - Finance Leases

The Council does not have any finance leases where the Council is lessor.

The Council as Lessor - 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 the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. 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.

xvi. 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 CIPFA's Service Reporting Code of Practice 2014/15 (SERCOP), with the exception of:

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

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the net cost of services.

xvii. 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 are expected to be used during 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. 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.

A de-minimus level of £10,000 is applied to capital expenditure. Any expenditure on property, plant or equipment below this amount is not recorded as an asset.

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

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

- Land and buildings are measured at fair value. This means Existing Use Value (EUV) for non-specialised properties or Depreciated Replacement Cost (DRC) for specialised properties.
- Infrastructure assets are measured at depreciated historical cost.
- Community assets and assets under construction are measured at historical cost.
- Council dwellings are measured at fair value, determined using the basis of Existing Use Value for Social Housing (EUV-SH).

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for 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.

Where decreases in value 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.

The Revaluation Reserve contains revaluation gains recognised since 1 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 for impairment. Where there is impairment and the amount is estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount, 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 Property, Plant and Equipment assets 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:

- council dwellings – calculated on a straight-line basis over the useful life of the property (excluding land value) as estimated by the valuer.
- other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer
- infrastructure - straight-line allocation over individually assessed life for each asset.

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

Componentisation of an asset will be considered where:

- The carrying value of an asset is greater than £1 million and
- A component is at least 20% of the carrying value of the asset.

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 previous 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. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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. A proportion of receipts relating to a housing disposal is payable to the Government. The balance of receipts is 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.

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the Council a financial obligation that probably requires settlement but where the timing and amount of settlement is uncertain. Provisions are charged as an expense to the appropriate service 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.

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.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix. 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 and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant disclosure notes.

xx. 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, is 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 reverses out the amounts charged, so there is no impact on the level of council tax.

xxi. VAT

Income and expenditure excludes any amounts related to VAT to the extent that they are recoverable from Her Majesty's Revenue and Customs.

2. New Accounting Standards yet to be Adopted

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. There have been changes to the following standards in the 2015/16 Code:

IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13.

IFRIC 21 Levies. This standard provides guidance on levies imposed by Government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification.

The changes to the Code take effect from 1 April 2015 and the Council will adopt those changes at that date. However, changes to these standards are unlikely to have any impact on the accounts.

3. Critical Judgements in Applying Accounting Policies

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

Asset Reclassifications - the Council has made judgements on whether assets are classified as Investment Property, Heritage Asset or Property, Plant and Equipment. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be Property, Plant and Equipment assets. If the asset has historical, artistic, scientific, technological,

geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture it is deemed to be a Heritage Asset. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

Lease Classifications - the Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken "in the round" and a decision has been made. The accounting treatment for operating and finance leases is significantly different (see accounting policy on leases) and could have a significant effect on the accounts.

Contractual Arrangements - the Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).

Future Funding for Local Government - there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that it is not yet necessary to consider the impairment of any assets for this reason, which would otherwise be necessary if facilities were required to close.

Providing for Potential Liabilities - the Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. The judgements are based on the degree of certainty around the results of pending legal actions.

Doubtful Debts Allowances - the Council has made judgements about the level of doubtful debts allowances that it needs to provide for. These judgments are based on historical experience of debtor defaults and what the Council believes to be a prudent but realistic level.

Group Accounts - the Council has made a judgement not to produce Group Accounts. The Portchester Crematorium Joint Committee (PCJC) is classified as a jointly controlled operation of the Council and under the Code the Council would normally recognise in its financial statements its share of PCJC's assets, liabilities, expenses and income. Group Accounts have not been produced as the differences between the Council's group and single entity accounts would be very minor.

4. Assumptions made about the future and other sources of estimation uncertainty

The Statement of Accounts contains 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 certainty, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are explained in the table below.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the service being delivered by the asset and the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases resulting in a fall in the carrying value of assets. It is estimated that the annual depreciation charge for all assets would increase by £145,700 for every year that useful lives had to be reduced.

Pensions Liability	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. Note 14 provides details of the impact of changes to the key assumptions.
Financial Assets and Liabilities	Estimation of fair values for financial assets and liabilities are based on current lending rates for equivalent loans and investments. These are provided by the Council's treasury advisors.	Fair value estimates do not apply to instruments which mature with the next 12 months. The values are disclosed as a note to the accounts and do not impact on the primary statements.
Bad Debt Provision	The Council has made allowances for doubtful debts of £1.6 million in 2014/15 (2013/14 £1.78 million) based on what it believes to be a prudent but realistic level.	If collection rates were to deteriorate or improve, a 5% change would require an adjustment to the allowance of £80,000 (2013/14 £89,000).
Provisions	The Council has made provisions for outstanding insurance claims, accumulated absences and land charges. The calculation for accumulated absences is based on 20% of the workforce.	A 10% increase or decrease in provisions would require an adjustment of £37,900 (2013/14 £47,700).
Business Rates Appeals Provision	Under the new business rates retention scheme, which came into effect on 1 April 2013, the Council has assumed some liability for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list. The estimate for the provision is based on software modelling and the latest list of outstanding rating list proposals provided by the Valuation Office Agency. The estimate looks at changes in comparable hereditaments, market trends and other valuation issues including the potential for certain proposals to be withdrawn.	The Council has made an allowance of £6.6 million for these refunds within the Collection Fund. The Council's share of the provision is £2.64 million which has reduced the amount of income that is distributed from the Collection Fund to the Council's General Fund. A 10% increase or decrease in the Council's share of the provision would require an adjustment of £264,000.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 21 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Adjustments between Accounting Basis and Funding Basis under Regulation

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.

	----- Usable Reserves -----						
	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
2014/15							
Capital Adjustment Account Adjustments							
Depreciation and impairment of non-current assets	1,349		1,324				(2,673)
Revaluation losses on Property, Plant and Equipment	2,224		(7,766)				5,542
Revaluation of Investment Properties	1,286						(1,286)
Amortisation of intangible assets	26		5				(31)
Capital grants and contributions applied	(5,851)						5,851
Revenue expenditure funded from capital under statute	2,190						(2,190)
Property written out on disposal	1,287		306				(1,593)
Capital expenditure charged to the General Fund and HRA balances	(3,734)	(356)	(1,516)				5,606
Capital Grants Unapplied Account Adjustments							
Capital grants and contributions unapplied	(2,379)					2,379	0
Capital Receipts Reserve Adjustments							
Proceeds from disposal of property	(1,362)		(480)		1,842		0
Capital Receipts applied					(2,776)		2,776
Housing Capital Receipts	(40)				44		(4)
Payments to the Government housing capital receipts pool	174				(174)		0
Major Repairs Reserve Adjustments							
Depreciation re-credited to HRA			(1,323)	1,323			0
Major Repairs Reserve to finance new capital expenditure				(4,289)			4,289
Pensions Reserve Adjustments							
Net charges for retirement benefits	3,855		505				(4,360)
Employer's contribution to Pension Fund/directly to pensioners	(2,314)		(264)				2,578
Collection Fund Adjustment Account							
Collection Fund adjustment	(177)						177
Accumulated Absences Account Adjustments							
Accumulated Absences adjustment	(79)		(8)				87
Total Adjustments	(3,545)	(356)	(9,217)	(2,966)	(1,064)	2,379	14,769

	Usable Reserves						
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
2013/14	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Adjustment Account Adjustments							
Depreciation and impairment of non-current assets	1,937		2,444				(4,381)
Revaluation losses on Property, Plant and Equipment	(641)		(1,967)				2,608
Revaluation of Investment Properties	1,407						(1,407)
Amortisation of intangible assets	38		5				(43)
Capital grants and contributions applied	(831)		(313)				1,144
Revenue expenditure funded from capital under statute	763						(763)
Property written out on disposal	1,659		568				(2,227)
Capital expenditure charged to the General Fund and HRA balances	(889)						889
Capital Grants Unapplied Account Adjustments							
Capital grants and contributions unapplied							
Application of grants to capital financing transferred to Capital Adjustment Account	(248)					248	0
Capital Receipts Reserve Adjustments							
Proceeds from disposal of property	(50)		(887)		937		0
Capital Receipts applied					(5,084)		5,084
Housing Capital Receipts					3		(3)
Payments to the Government housing capital receipts pool	158				(158)		0
Major Repairs Reserve Adjustments							
Major Repairs Allowance credited to HRA			(2,443)	2,443			0
Major Repairs Reserve to finance new capital expenditure				(2,045)			2,045
Pensions Reserve Adjustments							
Net charges for retirement benefits	4,305		595				(4,900)
Employer's contribution to Pension Fund/directly to pensioners	(1,830)		(241)				2,071
Collection Fund Adjustment Account							
Collection Fund adjustment	(76)						76
Accumulated Absences Account Adjustments							
Accumulated Absences adjustment	69		7				(76)
Total Adjustments	5,771	0	(2,232)	398	(4,302)	248	117

7. Amounts Reported for Resource Allocation Decisions

The purpose of this note is to reconcile the financial information reported internally to that reported in the Comprehensive Income and Expenditure Statement.

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement (page 11) is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed by Services. The most significant differences between these reports are:

- Internal budget reports exclude charges in relation to impairments to assets but these are charged in the Comprehensive Income and Expenditure Statement.

- Income earned from the Council's property portfolio is shown as a service income in Policy, Strategy and Finance when reporting to the Executive, but this is excluded from the cost of services in the Comprehensive Income and Expenditure Statement.

The tables below reconcile the revenue outturn reports presented to the Executive on 13 July 2015 for year ended 31 March 2015 and 7 July 2014 for year ended 31 March 2014 to the net cost of services shown in the Comprehensive Income and Expenditure Account.

For Year Ended 31 March 2015	LRAC	LC	Housing	Public	PSF	Street-	SPE	PC	HRA	Grand
	£'000	£'000	£'000	£'000	£'000	scene	£'000	£'000	£'000	Total
						£'000				£'000
Fees, Charges & Other										
Service Income	(276)	(1,446)	(1,065)	(508)	(3,672)	(2,354)	(2,634)	(382)	(12,035)	(24,372)
Government Grants	0	(3)	(623)	0	(19,556)	0	(60)	0	(222)	(20,464)
Total Income	(276)	(1,449)	(1,688)	(508)	(23,228)	(2,354)	(2,694)	(382)	(12,257)	(44,836)
Employee Expenses	236	846	625	770	2,488	2,280	674	707	1,235	9,861
Other Operating Expenses	460	771	1,538	1,370	27,533	3,483	947	293	6,900	43,295
Support Service Recharges	56	302	172	257	1,053	500	228	152	735	3,455
Total Operating Expenses	752	1,919	2,335	2,397	31,074	6,263	1,849	1,152	8,870	56,611
Net Cost to Services	476	470	647	1,889	7,846	3,909	(845)	770	(3,387)	11,775

For Year Ended 31 March 2014	LRAC	LC	Housing	Public	PSF	Street-	SPE	PC	HRA	Grand
	£'000	£'000	£'000	£'000	£'000	scene	£'000	£'000	£'000	Total
						£'000				£'000
Fees, Charges & Other										
Service Income	(331)	(404)	(488)	(590)	(3,504)	(1,598)	(2,674)	(485)	(11,441)	(21,515)
Government Grants	0	0	(518)	0	(19,401)	0	(20)	0	0	(19,939)
Total Income	(331)	(404)	(1,006)	(590)	(22,905)	(1,598)	(2,694)	(485)	(11,441)	(41,454)
Employee Expenses	408	384	807	1,307	2,987	2,324	1,142	707	1,307	11,373
Other Operating Expenses	151	1,468	1,510	1,102	21,914	3,122	914	166	5,736	36,083
Support Service Recharges	131	401	248	624	1,300	596	276	235	767	4,578
Total Operating Expenses	690	2,253	2,565	3,033	26,201	6,042	2,332	1,108	7,810	52,034
Net Cost to Services	359	1,849	1,559	2,443	3,296	4,444	(362)	623	(3,631)	10,580

LRAC = Licensing and Regulatory Affairs Committee

LC = Leisure and Community

PSF = Policy Strategy and Finance

SPE = Strategic Planning and Environment

PC = Planning Committee

HRA = Housing Revenue Account

The following table reconciles the net cost of services identified above to the net cost of service shown in the Comprehensive Income and Expenditure Statement.

**Reconciliation to Subjective Analysis
2014/15**

	Service Analysis £'000	Services not in Analysis £'000	Not Included in I&E £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Income	(24,372)	(150)	2,604	(298)	(22,216)	(1,974)	(24,190)
Interest and Investment Income	0				0	(850)	(850)
Income from Council Tax	0				0	(5,806)	(5,806)
Government Grants	(20,464)				(20,464)	(13,681)	(34,145)
Total Income	(44,836)	(150)	2,604	(298)	(42,680)	(22,311)	(64,991)
Employee Expenses	9,861			2,881	12,742		12,742
Other Operating Expenses	43,294	14	(3,632)	2,017	41,693	5,041	46,734
Support Service Recharges	3,455			(4,600)	(1,145)		(1,145)
Depreciation, Amortisation & Impairment	0		(7,780)		(7,780)		(7,780)
Payments to Housing Capital Receipts Pool	0				0	174	174
Gain or Loss on Disposal of Non-Current Assets	0				0	(247)	(247)
Total Operating Expenses	56,610	14	(11,412)	298	45,510	4,968	50,478
Surplus or Deficit on the provision of services	11,774	(136)	(8,808)	0	2,830	(17,343)	(14,513)

**Reconciliation to Subjective Analysis
2013/14**

	Service Analysis £'000	Services not in Analysis £'000	Not Included in I&E £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Income	(21,515)	(150)	2,087	(208)	(19,786)	(2,087)	(21,873)
Interest and Investment Income	0				0	974	974
Income from Council Tax	0				0	(5,733)	(5,733)
Government Grants	(19,939)				(19,939)	(6,998)	(26,937)
Total Income	(41,454)	(150)	2,087	(208)	(39,725)	(13,844)	(53,569)
Employee Expenses	11,373			3,020	14,393		14,393
Other Operating Expenses	36,083		(1,407)	1,835	36,511	3,917	40,428
Support Service Recharges	4,578			(4,647)	(69)		(69)
Depreciation, Amortisation & Impairment	0		(1,982)		(1,982)		(1,982)
Payments to Housing Capital Receipts Pool	0				0	158	158
Gain or Loss on Disposal of Non-Current Assets	0				0	1,290	1,290
Total Operating Expenses	52,034	0	(3,389)	208	48,853	5,365	54,218
Surplus or Deficit on the provision of services	10,580	(150)	(1,302)	0	9,128	(8,479)	649

8. Grant Income

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

Service Specific Revenue Grants and Contributions (included in Cost of Services)	2014/15 £'000	2013/14 £'000
---	------------------	------------------

Department for Works and Pensions:

- Rent Allowances Subsidy	12,772	12,854
- Rent Rebates	6,537	6,120
- Housing and Council Tax Benefit Administration	316	447
- Discretionary Housing Payments	74	71
- Council Tax Benefit Subsidy	0	70

Department for Communities and Local Government:

- Disabled Facilities Grant	264	255
- NNDR Collection Allowance	142	143
- New Burdens Local Council Tax Support Scheme	65	42
- Council Tax Support Admin	78	0

Hampshire County Council:

- Portchester Community Centre	0	134
- Solent Disturbance Funding and Mitigation Project	0	78
- Supporting Troubled Families	56	0

Environment Agency:

- Coast Monitoring Grant	118	20
- Wallington River Emergency Works	91	0

Other:

- First Wessex	521	0
- Portchester Crematorium	150	150
- Whiteley Joint Fund	79	103
- S106 Developer Contributions	105	0
	<u>21,368</u>	<u>20,487</u>

Credited to Taxation and Non Specific Grant Income

Department for Communities and Local Government:

- Revenue Support Grant	1,992	2,533
- New Homes Bonus	1,422	1,107
- Capacity Funding - Welborne Planning	375	485
- Council Tax Freeze Grant	61	61
- Other Local Services Grants	35	29

Homes and Communities Agency:

- Daedalus Development	4,934	387
- National Affordable Housing Programme	0	313

Other:

- Community Infrastructure Levy	2,379	248
- Developer Contributions	610	182
- Football Foundation	0	8
Total	<u>11,808</u>	<u>5,353</u>

9. Audit Fees Payable

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditor, Ernst & Young LLP.

	2014/15	2013/14
	£'000	£'000
External audit services	64	63
Certification of grant claims and returns	15	24
Total	<u>79</u>	<u>87</u>

10. Members' Allowances

The Council paid the following amounts to Members of the Council during the year:

	2014/15	2013/14
	£'000	£'000
Basic Allowances	205	204
Special Responsibility Allowances	169	166
Superannuation and National Insurance	29	34
Travelling and Subsistence Allowances	6	7
Conference Expenses	2	3
Internet Rental Allowance	1	1
Total	<u>412</u>	<u>415</u>

Details of individual allowances including travel and subsistence are published in full on the Council's website at www.fareham.gov.uk.

11. Remuneration of Staff

The number of employees, including senior officers (see note 12), whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band	2014/15	2013/14
	Number of employees	Number of employees
£50,000 - £54,999	2	4
£55,000 - £59,999	7	6
£60,000 - £64,999	3	1
£70,000 - £74,999	0	1
£80,000 - £84,999	4	3
£85,000 - £89,999	2	2
£110,000 - £114,999	0	1
£115,000 - £119,999	0	1
£130,000 - £134,999	1	1

12. Senior Officer Emoluments

Post Title	Salary (Inc fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind (e.g. car allowance) £	Total remuneration excl pension contributions £	Pension contributions £	Total remuneration incl pension contributions £
2014/15								
Chief Executive Officer (1)	131,741	0	345	0	0	132,086	15,540	147,626
Director of Planning & Development (2)	80,881	0	230	0	0	81,111	10,595	91,706
Director of Regulatory & Democratic Services	0	0	0	3,214	0	3,214	0	3,214
Director of Community	80,881	0	292	0	0	81,173	10,595	91,768
Director of Finance & Resources	84,628	0	411	0	0	85,039	11,086	96,125
Director of Environmental Services (3)	80,881	0	295	0	0	81,176	10,595	91,771
	459,012	0	1,573	3,214	0	463,799	58,411	522,210
2013/14								
Chief Executive Officer (1)	118,257	0	0	0	0	118,257	14,469	132,726
Director of Planning & Environment (2)	80,228	0	0	0	0	80,228	10,491	90,718
Director of Regulatory & Democratic Services	99,303	0	0	12,375	0	111,678	216,306	327,984
Director of Community	80,278	0	0	0	0	80,278	10,491	90,768
Director of Finance & Resources	83,903	0	0	0	0	83,903	10,977	94,879
Director of Streetscene (3)	74,634	0	0	0	0	74,634	9,764	84,398
	536,602	0	0	12,375	0	548,977	272,497	821,474

Notes:

A Senior Officer is defined as an employee whose salary is more than £50,000 per year and undertakes a statutory role or has the power to direct or control the major activities of the Council. Senior Officers in this note relate to the Chief Executive Officer and his direct reports. Roles and responsibilities can be found on the Council's website at www.fareham.gov.uk.

(1) Includes pay in respect of the Returning Officer role in elections.

(2) Post renamed from Director of Planning & Environment to Director of Planning & Development in 2014/15.

(2) Post renamed from Director of Streetscene to Director of Environmental Services in 2014/15.

13. Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £318,858 (£700,252 in 2013/14). The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below.

Exit Package Cost band (including special payments)	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
							£	£
£0 - £20,000	0	0	15	23	15	23	73,905	103,556
£20,001 - £40,000	0	0	4	0	4	0	105,588	0
£40,001 - £60,000	0	0	3	0	3	0	139,365	0
£60,001 - £80,000	0	1	0	0	0	1	0	77,251
£100,001 - £120,000	0	1	0	0	0	1	0	108,508
£180,001 - £200,000	0	1	0	0	0	1	0	180,082
£220,001 - £240,000	0	1	0	0	0	1	0	230,855
	0	4	22	23	22	27	318,858	700,252

14. Pensions

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, 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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The disclosures below relate to the following schemes:

- The Hampshire County Council Pension Fund (Fund) which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the LGPS (Benefits, Membership and Contributions) Regulations 2007. The funded nature of the LGPS requires the Employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The contributions to be paid until the date the next actuarial valuation of the Fund is available are set out in the Rates and Adjustment Certificate. The Fund Administering Authority, Hampshire County Council is responsible for the governance of the Fund.
- Unfunded pension arrangements established by the Council. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS. 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 pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute.

Contributions for the Accounting Period Ending 31 March 2016

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2016 are estimated to be £2.04m. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period. For the unfunded benefits scheme, for the accounting period ending 31 March 2016, the Employer expects to pay £0.21m directly to beneficiaries.

Transactions Relating to Post-Employment Benefits

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

	Funded Benefits		Unfunded Benefits	
	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
<u>Comprehensive Income and Expenditure Statement</u>				
Cost of Services				
- Current service cost	2,020	2,380	0	0
- Past service cost	450	10	0	0
Financing and Investment Income and Expenditure				
- Interest net defined benefit liability	1,760	2,380	130	130
(Surplus)/deficit on the provision of services	4,230	4,770	130	130
Other Charges to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (in excess of)/below that recognised in net interest	(7,921)	(5,477)	0	0
Actuarial (gains)/losses due to:				
- Changes in financial assumptions	13,570	(10,720)	172	(144)
- Changes in demographic assumptions	0	(2,020)	0	90
- Liability experience	(800)	1,290	(30)	(70)
Total amount recognised in Other Comprehensive Income and Expenditure	4,849	(16,927)	142	(124)
Total Amount Recognised	9,079	(12,157)	272	6
<u>Movement in Reserves Statement</u>				
Reversal of net charges made to the surplus/(deficit) in accordance with the Code	(4,230)	(4,770)	(130)	(130)
Actual amount charged against the General Fund				
Balance for pensions in the year:				
Employers' contributions payable to scheme	(2,367)	(1,859)	0	0
Retirement benefits payable to pensioners	0	0	(212)	(212)

Pension 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:

	Funded Benefits		Unfunded Benefits	
	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
Fair value of assets	89,067	79,199	0	0
Present value of defined benefit obligation	137,870	121,290	3,188	3,128
Funded status	(48,803)	(42,091)	0	0
Liability recognised on the Balance Sheet	(48,803)	(42,091)	(3,188)	(3,128)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	29%
Deferred Pensioners	14%
Pensioners	57%

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

	Funded Assets		Unfunded Assets	
	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
Opening balance at 1 April	79,199	72,233	0	0
Interest income	3,380	3,070	0	0
Remeasurement gains and (losses)				
- Return on plan assets, excluding amount included in net interest expense	7,921	5,477	0	0
Contributions by the employer	2,367	1,859	212	212
Contributions by participants	670	660	0	0
Benefits paid	(4,470)	(4,100)	(212)	(212)
Closing balance at 31 March	89,067	79,199	0	0

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Benefits		Unfunded Benefits	
	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
Opening balance at 1 April	121,290	128,340	3,128	3,334
Current service cost	2,020	2,380	0	0
Interest expense	5,140	5,450	130	130
Contributions by participants	670	660	0	0
Remeasurement (gains) and losses on liabilities:				
- Financial assumptions	13,570	(10,720)	172	(144)
- Demographic assumptions	0	(2,020)	0	90
- Experience	(800)	1,290	(30)	(70)
Benefits paid	(4,470)	(4,100)	(212)	(212)
Past service cost	450	10	0	0
Closing balance at 31 March	137,870	121,290	3,188	3,128

Local Government Pension Scheme Assets Comprised

The approximate split of assets for the Fund as a whole is shown in the table below. The assets allocated to the Employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises.

The Administering Authority, Hampshire County Council, does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund, if it forms part of their balanced investment strategy.

	Asset split at 31 March 2015			Asset split at 31 March 2014
	% Quoted	% Unquoted	% Total	%
Equities	54.9	2.9	57.8	60.8
Property	1.1	6.9	8.0	7.5
Government Bonds	25.0	0.4	25.4	23.6
Corporate Bonds	1.5	0.1	1.6	1.6
Cash	3.7	0.0	3.7	3.8
Other	0.0	3.5	3.5	2.7
Total	86.2	13.8	100.0	100.0

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 Limited, an independent firm of actuaries, estimates for the Hampshire County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013 for funded benefits and 31 March 2014 for unfunded benefits.

The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

	Funded Benefits 31 March		Unfunded Benefits 31 March	
	2015	2014	2015	2014
Mortality assumptions:	% p.a.	% p.a.	% p.a.	% p.a.
Future lifetime from age 65 (aged 65 at accounting date)				
Men	24.5	24.4	24.5	24.4
Women	26.3	26.2	26.3	26.2
Future lifetime from age 65 (aged 45 at accounting date)				
Men	26.6	26.5	n/a	n/a
Women	28.6	28.5	n/a	n/a
Principal financial assumptions (% per annum):				
Discount rate	3.2	4.3	3.2	4.2
RPI inflation	2.9	3.3	2.9	3.2
CPI inflation	1.8	2.3	1.8	2.2
Pension increases	1.8	2.3	1.8	2.2
Pension accounts revaluation rate	1.8	n/a	n/a	n/a
Salary increases	3.3	3.8	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2015 and the projected service cost for the year ending 31 March 2016 is set out in the table below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same. The sensitivity of unfunded benefits is not included on materiality grounds.

Discount rate assumption

	+0.1% p.a	Base Figure	-0.1% p.a
Adjustment to discount rate			
Present value of total obligation (£M)	135.50	137.87	140.28
% change in present value of total obligation	-1.7%		1.7%
Projected service cost (£M)	2.41	2.49	2.57
Approximate % change in projected service cost	-3.2%		3.3%

Rate of general increase in salaries

	+0.1% p.a	Base Figure	-0.1% p.a
Adjustment to salary increase rate			
Present value of total obligation (£M)	138.33	137.87	137.41
% change in present value of total obligation	0.3%		-0.3%
Projected service cost (£M)	2.49	2.49	2.49
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pension assumptions

	+0.1% p.a	Base Figure	-0.1% p.a
Adjustment to pension increase rate			
Present value of total obligation (£M)	139.83	137.87	135.94
% change in present value of total obligation	1.4%		-1.4%
Projected service cost (£M)	2.57	2.49	2.41
Approximate % change in projected service cost	3.3%		-3.2%

Post retirement mortality assumption

	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption			
Present value of total obligation (£M)	141.48	137.87	134.25
% change in present value of total obligation	2.6%		-2.6%
Projected service cost (£M)	2.57	2.49	2.41
Approximate % change in projected service cost	3.4%		-3.4%

15. Property, Plant and Equipment

Valuation information

The Council's property portfolio has been revalued in accordance with the statement of accounting policies and to reflect the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The portfolio was completely re-valued in 1998/99 by the Council's own valuer, D. M. Quinton BSc (Hons) FRICS. Since then it has been revalued on a rolling basis by the Council's own valuers K. Boothroyd BSc (Hons) MRICS, F. Johns MRICS and G. Lloyd FRICS; except for Council dwellings which were revalued as at April 2012 by Hellier Langston, chartered surveyors and have since then been revalued to 1 April 2014 by K. Boothroyd BSc (Hons) MRICS. The Daedalus development has been valued by Gary Carroll BSc MRICS, a registered valuer of Hampshire County Council, as at 31 March 2015.

The table below shows the dates of revaluation of non-current assets. Vehicles, plant, equipment and non-operational assets are valued at historic cost:

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Surplus Assets £'000	Total £'000
Historic		388	9,112		9,500
2010/11		1,789			1,789
2011/12		5,700			5,700
2012/13		1,766			1,766
2013/14		6,212			6,212
2014/15	92,855	33,756		10	126,621
	<u>92,855</u>	<u>49,611</u>	<u>9,112</u>	<u>10</u>	<u>151,588</u>

The movement in non-currents assets are shown on pages 42 and 43. The figure for additions includes capital expenditure which substantially lengthens the life of the assets or substantially increases the market value.

Council dwellings were re-valued as at 1 April 2014 (the previous valuation was as at 1 April 2013). The valuation takes into account the use for social housing, and assumes social housing tenanted value is 32% of vacant possession value.

Depreciation

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

Council Dwellings	- 50 years
Other Land and Buildings	- 3 to 60 years
Vehicles and Plant	- 2 to 10 years
Furniture and Equipment	- 3 to 20 years
Infrastructure	- 5 to 50 years

The Council has changed the estimation technique for depreciating Council Dwellings. Up to the HRA Self-Financing Settlement in 2012, the Council used the Major Repairs Allowance (as used in the subsidy calculation) as a proxy for depreciation. From that time, Councils had a period of five years to move to a proper calculation for depreciation. The Council has done this for 2014/15 by basing depreciation on the Existing Use Value for Social Housing and writing down the value of the buildings on a straight-line basis over the useful life of 50 years. The revision results in a decrease in depreciation of £1.1 million compared with 2013/14.

Capital Commitments

At 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years, budgeted to cost £5.76 million. Similar commitments at 31 March 2014 were £5.5 million. The major commitments are Works to Council Houses and Flats £5.45 million and Sport and Recreation £0.3 million.

Movement in Non-Current Assets 2014/15

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra- structure Assets	Comm- unity Assets	Surplus Assets	Assets Under Construc- tion	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2014	85,228	37,379	8,932	1,281	377	10	1,200	134,407
Additions	2,529	7,085	314				4,227	14,155
Revaluation increases/(decreases) to RR		6,881						6,881
Revaluation increases/(decreases) to SDPS	5,409	(2,257)						3,152
Derecognition - Disposals	(311)		(134)					(445)
Reclassified to/from Held for Sale		(48)						(48)
Other movements		76					(76)	0
At 31 March 2015	92,855	49,116	9,112	1,281	377	10	5,351	158,102
Depreciation and Impairment								
At 1 April 2014	2,358	1,156	5,443	725	24	0	0	9,706
Depreciation Charge	1,242	466	896	60	3			2,667
Depreciation written out to RR		(491)						(491)
Depreciation written out to SDPS	(2,358)	(34)						(2,392)
Derecognition - Disposals	(4)		(112)					(116)
At 31 March 2015	1,238	1,097	6,227	785	27	0	0	9,374
Net Book Value								
At 31 March 2015	91,617	48,019	2,885	496	350	10	5,351	148,728
At 31 March 2014	82,870	36,223	3,489	556	353	10	1,200	124,701

RR = Revaluation Reserve

SDPS = Surplus/Deficit on the Provision of Services

The figures for: Other Land & Buildings, Vehicles Plant & Equipment and Assets Under Construction include assets owned by the Housing Revenue Account (HRA). Details for these can be found on page 59 note 2.

Movement in Non-Current Assets 2013/14

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure Assets £'000	Comm- unity Assets £'000	Surplus Assets £'000	Assets Under Construc- tion £'000	Total £'000
Cost or Valuation								
At 1 April 2013	84,769	35,231	8,923	4,923	377	10	142	134,375
Additions	1,396	1,093	964				1,058	4,511
Revaluation increases/(decreases) to RR	89	830						919
Revaluation increases/(decreases) to SDPS	(442)	250						(192)
Derecognition - Disposals	(584)	(25)	(955)	(3,642)				(5,206)
At 31 March 2014	85,228	37,379	8,932	1,281	377	10	1,200	134,407
Depreciation and Impairment								
At 1 April 2013	2,411	456	5,535	2,737	21	0	0	11,160
Depreciation Charge	2,373	702	844	60	3			3,982
Depreciation written out to RR		(2)						(2)
Depreciation written out to SDPS	(2,410)	0						(2,410)
Derecognition - Disposals	(16)	0	(936)	(2,072)				(3,024)
At 31 March 2014	2,358	1,156	5,443	725	24	0	0	9,706
Net Book Value								
At 31 March 2014	82,870	36,223	3,489	556	353	10	1,200	124,701
At 31 March 2013	82,358	34,775	3,388	2,186	356	10	142	123,215

RR = Revaluation Reserve

SDPS = Surplus/Deficit on the Provision of Services

The figures for: Other Land & Buildings, Vehicles Plant & Equipment and Assets Under Construction include assets owned by the Housing Revenue Account (HRA). Details for these can be found on page 59 note 2.

16. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The Council's Investment Property portfolio has been re-valued in accordance with the statement of accounting policies by K. Boothroyd BSc (Hons) MRICS.

	2014/15	2013/14
	£'000	£'000
Rental, sales income and service charges	(2,604)	(2,571)
Direct operating expenses	630	484
Net (gain)/loss	<u>(1,974)</u>	<u>(2,087)</u>
Movement in Fair Value of Investment Properties		
Balance at 1 April	33,070	30,587
Purchases	2,174	3,890
Net gains/losses from fair value adjustments	<u>(1,286)</u>	<u>(1,407)</u>
Balance at 31 March	<u>33,958</u>	<u>33,070</u>

17. Assets Held for Sale

	Non-Current Assets	
	2014/15	2013/14
	£'000	£'000
Balance at 1 April	1,265	1,310
Assets newly classified as held for sale:		
- Property, Plant and Equipment	48	0
Assets sold	<u>(1,265)</u>	<u>(45)</u>
Balance at 31 March	<u>48</u>	<u>1,265</u>

The asset currently held for sale is land in West Street formerly used as a car park.

18. Impairment Losses

During 2014/15, the Council de-recognised impairment losses incurred and charged to Surplus/Deficit on Provision of Services in earlier years of £2,566,854. This relates to the increased revaluation of car parks, the Civic Offices and a Community Centre.

The Council also recognised impairment losses of £412,568. This related to the downward revaluation of a multi-storey car park.

19. Leases

Council as Lessee - Finance Leases

The Council has some assets under finance leases which are carried as Property, Plant and Equipment and Investment Property in the Balance Sheet at the following net amounts:

	31 March 2015 £'000	31 March 2014 £'000
Property, Plant and Equipment	8,221	6,191
Investment Property	5,273	4,226
	<u>13,494</u>	<u>10,417</u>

All properties are subject to the Council making peppercorn minimum lease payments. There are no contingent rents payable. None of the properties are subject to finance lease liabilities as premiums were paid at the inception of the lease.

Council as Lessor - Operating Leases

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

- For the provision of leisure facilities
- To provide accommodation for local businesses
- For income generation and capital appreciation

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

	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	2,216	1,959
Later than one year and not later than five years	7,135	6,145
Later than five years	39,775	38,644
	<u>49,126</u>	<u>46,748</u>

The minimum lease payments receivable do not include rents that are contingent rents on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15, contingent rents of £0.81 million were receivable by the Council (2013/14 £0.71 million).

20. Cash and Cash Equivalents

	31 March 2015 £'000	2014 £'000
Cash held by the Council	4	10
Bank current accounts	15	(553)
Short-term deposits with banks	16,167	12,868
Total	<u>16,186</u>	<u>12,325</u>

21. Short Term Debtors

	31 March	
	2015	2014
	£'000	£'000
Central government bodies	1,945	625
Other local authorities	555	573
Public corporation and trading funds	0	0
Other entities and individuals	6,219	4,372
Total	<u>8,719</u>	<u>5,570</u>
Provision for doubtful debts	<u>(1,669)</u>	<u>(1,788)</u>
Total	<u>7,050</u>	<u>3,782</u>

22. Short Term Creditors

	31 March	
	2015	2014
	£'000	£'000
Central government bodies	4,565	4,512
Other local authorities	2,608	1,634
Public corporation and trading funds	0	0
Other entities and individuals	2,938	2,538
Total	<u>10,111</u>	<u>8,684</u>

23. Provisions

	Balance at 1 April £'000	Provision in year £'000	Applied in year £'000	Balance at 31 March £'000
Business rate appeals	1,351	1,553	262	2,642
Insurance	62	51	62	51
Employee related	265	178	265	178
Land charges	150	0	0	150
Total 2014/15	<u>1,828</u>	<u>1,782</u>	<u>589</u>	<u>3,021</u>
Total 2013/14	<u>459</u>	<u>1,678</u>	<u>309</u>	<u>1,828</u>

The business rate appeals provision is for refunding ratepayers who successfully appeal against the rateable value of their properties. The insurance provision is set up to meet certain known liabilities in respect of risks e.g. fire, explosion, storm, flood, burst pipes, impact. The employee related provision is used for accumulated absences due and the land charges provision is for personal searches litigation.

24. Receipts in Advance

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 will, if not met, require the monies to be returned to the contributor. These mainly relate to developer contributions that have conditions in the form of time limits on them. The balances and movement on these are as follows:

	31 March	
	2015	2014
	£'000	£'000
Balance at 1 April	4,972	4,390
Movements in year:		
Amounts received (with conditions)	10,079	1,984
Amounts recognised as income (conditions subsequently met):		
- Within Cost of Services	(703)	(512)
- Within Taxation and Non-Specific Grants	(5,552)	(890)
Balance at 31 March	<u>8,796</u>	<u>4,972</u>
Grants Receipts in Advance (Capital Grants)		
Leisure developer contributions	3,695	3,714
Affordable housing developer contributions	30	30
Other developer contributions	401	397
Homes and Communities Agency	<u>2,580</u>	<u>570</u>
	<u>6,706</u>	<u>4,711</u>
Grants Receipts in Advance (Revenue Grants)		
Homes and Communities Agency	1,632	0
Whiteley developer contributions	171	250
Other developer contributions	<u>287</u>	<u>11</u>
	<u>2,090</u>	<u>261</u>
Total Receipts in Advance	<u>8,796</u>	<u>4,972</u>

25. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	1 April 2013	Transfers Out	Transfers In	31 March 2014	Transfers Out	Transfers In	31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Major Repairs and Renewals	1,302	0	0	1,302	0	0	1,302
Other Earmarked Reserves	2,399	(283)	102	2,218	(391)	946	2,773
Earmarked Capital Reserve	5,639	(1,540)	3,447	7,546	(4,000)	2,719	6,265
Total	<u>9,340</u>	<u>(1,823)</u>	<u>3,549</u>	<u>11,066</u>	<u>(4,391)</u>	<u>3,665</u>	<u>10,340</u>
HRA							
Housing Repairs Account	1,800	(16)	16	1,800	(818)	18	1,000
Capital Development Fund	2,164	0	2,164	4,328	(356)	2,164	6,136
Leaseholder Repairs	166	0	16	182	0	18	200
Total	<u>4,130</u>	<u>(16)</u>	<u>2,196</u>	<u>6,310</u>	<u>(1,174)</u>	<u>2,200</u>	<u>7,336</u>
Grand Total	<u>13,470</u>	<u>(1,839)</u>	<u>5,745</u>	<u>17,376</u>	<u>(5,565)</u>	<u>5,865</u>	<u>17,676</u>

26. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

The main items of capital expenditure on non-current assets during the year are shown below. Only a proportion of this expenditure led to an increase in the value of assets. Capital expenditure and financing for the year were as follows:

2013/14 £'000		2014/15 £'000
51,050	Opening Capital Finance Requirement	51,050
	Capital Investment	
4,511	Property, Plant and Equipment	14,155
3,890	Investment Properties	2,174
763	Revenue Expenditure Funded from Capital under Statute	2,190
	Sources of Finance	
(5,084)	Capital receipts	(2,775)
(1,146)	Government grants and other contributions	(5,850)
	Sums set aside from revenue:	
(2,045)	HRA major repairs reserve	(4,289)
(889)	Direct revenue contributions	(5,605)
<u>51,050</u>	Closing Capital Finance Requirement	<u>51,050</u>

27. Unusable Reserves

	31 March	
	2015 £'000	2014 £'000
Revaluation Reserve	16,053	9,652
Capital Adjustment Account	115,894	98,637
Deferred Capital Receipts Account	3	4
Pensions Reserve	(51,992)	(45,219)
Collection Fund Adjustment Account	267	90
Accumulated Absences Account	(179)	(265)
	<u>80,046</u>	<u>62,899</u>

a) 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:

- Re-valued 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 1 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.

2013/14 £'000		2014/15 £'000
8,828	Balance at 1 April	9,652
923	Upward revaluation of assets	7,555
	Downward revaluation of assets and impairment losses not	
0	charged to Surplus/Deficit on the Provision of Services	(184)
923		7,371
	Difference between fair value depreciation and historical	
(42)	cost depreciation	(20)
	Accumulated gains on assets disposed or reclassified to	
(57)	Investment Properties	(950)
(99)	Amount written off to the Capital Adjustment Account	(970)
9,652	Balance at 31 March	16,053

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/14 £'000		2014/15 £'000
95,591	Balance at 1 April	98,637
Reversal of items relating to capital expenditure in the Comprehensive Income and Expenditure Statement		
(4,381)	Charges for depreciation and impairment of non-current assets	(2,673)
2,608	Revaluation losses on Property, Plant and Equipment	5,542
(43)	Amortisation of Intangible Assets	(31)
(763)	Revenue expenditure funded from capital under statute	(2,190)
(2,227)	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	(1,594)
<u>90,785</u>		<u>(946)</u>
(2)	Amount credited to Capital Receipts Reserve relating to part repayment of principle on long term debtor	(3)
57	Cumulative (gains)/losses on assets sold or reclassified as Investment Properties	950
42	Adjustment amounts written out of the Revaluation Reserve	20
<u>90,882</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>98,658</u>
Capital financing applied in the year		
5,084	Use of the Capital Receipts Reserve to finance new capital expenditure	2,776
2,045	Use of the Major Repairs Reserve to finance new capital expenditure	4,289
1,144	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,851
889	Capital expenditure charged against the General Fund and HRA balances	5,606
<u>9,162</u>		<u>18,522</u>
(1,407)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,286)
<u>98,637</u>	Balance at 31 March	<u>115,894</u>

c) 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 however, statutory arrangements require that benefits are financed as the Council makes contributions to pension fund.

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.

2013/14 £'000	2014/15 £'000
(59,441) Balance at 1 April	(45,219)
17,051 Actuarial gains or losses on pension assets and liabilities	(4,991)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the	
(4,900) Comprehensive Income and Expenditure Statement	(4,360)
Employers' pension contributions and direct payments to pensioners	
2,071 payable in the year.	2,578
<u>(45,219) Balance at 31 March</u>	<u>(51,992)</u>

28. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	----- Long-term -----		----- Current -----	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Borrowing at amortised cost	40,200	40,400	1,582	1,430
Trade Creditors	0	0	3,452	3,368
Financial Liabilities	<u>40,200</u>	<u>40,400</u>	<u>5,034</u>	<u>4,798</u>
Loans and receivables	4,000	2,000	39,345	38,475
Mortgages	78	81	0	0
Trade Debtors	0	0	3,895	1,978
Financial Assets	<u>4,078</u>	<u>2,081</u>	<u>43,240</u>	<u>40,453</u>

All borrowing is on fixed terms and shown at amortised cost. A 5 year interest free loan of £1 million was received from Hampshire County Council during 2012/13. Of the £400,000 balance remaining, £200,000 is shown within long term borrowing and £200,000 within short term borrowing.

All investments and cash and cash equivalents are classified as Loans and Receivables carried in the Balance Sheet at amortised cost. The accrued interest at 31 March 2015 of £175,525 is included within the current total investment outstanding of £39,345,000.

Debtors and creditors and other balance sheet items that arise under contract from the Council's powers and duties are classified as financial instruments and carried at amortised cost, although debtors and creditors arising from council tax, NDR, government grants etc. are excluded.

Fair Values of Assets and Liabilities

The fair value of each class of financial instrument is 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.

The fair values of long term financial instruments are as follows:

	31 March 2015		31 March 2014	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£'000	£'000	£'000	£'000
Borrowing	40,200	44,049	40,400	34,149
Loans and receivables	4,000	4,050	2,000	2,019

The fair value of the borrowing is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

The fair value of the loans and receivables is higher than the carrying amount because the Council's portfolio of investments includes fixed rate loans where the rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2015) attributable to the commitment to receive interest above current market rates.

Movements in the fair value during the life of mortgages are not recognised.

29. Nature and Extent of Risks Arising from Financial Instruments

Liquidity risk

The Council manages its liquidity position through the setting and approval of prudential indicators and the treasury and investment strategy (approved by full Council on 21 February 2014) and through cash flow management which seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	As at 31 March 2015 £'000	As at 31 March 2014 £'000
Maturity of Investments		
Less than 3 months	29,266	18,399
3 to 6 months	6,041	8,046
6 months to 1 year	4,017	12,030
1 to 2 years	4,021	2,000
Total	<u>43,345</u>	<u>40,475</u>

All other trade debtors are due to be received in less than one year.

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. It also considers maximum amounts and time limits in respect of each financial institution.

The following analysis shows the gross credit exposure by credit rating of the Council's investments as at 31 March 2015.

Rating Category	£'000
AA or equivalent	10,013
A or equivalent	28,301
BBB or equivalent	5,031
Total	<u>43,345</u>

The Council's financial liabilities and assets, other than investments, all relate to non-rated organisations.

The Council's maximum exposure to credit risk in relation to its £43.3 million investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

Although the fair value of trade debtors is taken to be the billed amount as they are receivable within 12 months, the Council does make significant provision for unpaid debts (£342,000 at 31 March 2015, £421,000 as at 31 March 2014). Trade debtors include outstanding sundry debts and other trade debts. Based on the age of outstanding sundry debts, the bad debt provision is as shown in the following table:

Sundry Debtors Age Analysis	Amount Outstanding as at 31 March 2015 £'000	Bad Debt Provision % £'000		Amount Outstanding as at 31 March 2014 £'000	Bad Debt Provision % £'000	
Less than 1 year old	2,660	3	78	708	6	39
1 and 2 years old	136	15	21	168	16	27
2 and 3 years old	45	57	26	70	60	42
More than 3 years old	229	95	217	329	95	313
Total	<u>3,070</u>		<u>342</u>	<u>1,275</u>		<u>421</u>

Market risk

The Council does not have any variable rate investments or borrowings and is therefore not prone to any gains or losses arising from movements in interest rates or market prices.

30. Trust Funds

The Council administers a trust fund in relation to a legacy left by Miss W. N. Cocks. The terms of the charity scheme provide that income from the Cocks bequest can be used to further the work of Westbury Manor Museum and for such other charitable purposes for the benefit of the inhabitants of Fareham as the trustee (the Council) shall from time to time think fit.

The fund is invested with the Council. It does not represent assets of the Council and is not included in the Balance Sheet. The capital value of the fund is £284,819 at 31 March 2015.

In 2014/15, the fund's income was £820 and there was no expenditure. (In 2013/14, the fund's income was £1,322 and there was no expenditure). The fund's only asset was investments with the Council of £284,819 and it had no liabilities.

Further details of the fund can be obtained from the Council's Director of Finance and Resources at the Civic Offices.

The Council also administers six minor charity funds of which it is sole trustee. Details most recently reported to the Charities Commission are shown in the table below. A significant proportion of the income is contributed by the Council.

	Income £'000	Expenditure £'000	Assets £'000
Sarisbury recreation ground	11	11	land
Swanwick Lane recreation ground	3	3	land
King George V playing fields	3	3	land
Crofton recreation ground	18	18	land
Titchfield recreation ground	16	16	land
Hook and Warsash allotments	2	2	land

The auditor for the Cocks Bequest and Sarisbury, Crofton and Titchfield recreation grounds is Mr N Wood ACMA.

31. Related Party Transactions

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.

Central Government

Central Government has effective control over the general operations of the Council as it is responsible for providing the statutory framework within which the Council operates, provides a significant proportion 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). Grants received from government departments are set out in the subjective analysis in note 7 on reporting for resource allocation decisions and shown in the Grant Income note in note 8.

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2014/15, there were no material related party transactions between the Council and Council Members. Any declarations of interest are recorded in the Register of Member's Interests which is open to public inspection. The total of members' allowances paid in 2014/15 is shown in note 10.

Chief Officers

Chief Officers have the ability to influence the Council. During 2014/15, there were no material related party transactions between the Council and Chief Officers.

Portchester Crematorium Joint Committee

The Portchester Crematorium Joint Committee (PCJC) is a jointly controlled operation of the Council. The PCJC manages the operations of Portchester Crematorium. The Joint Committee is represented equally by the four constituent authorities, Fareham Borough Council, Gosport Borough Council, Havant Borough Council and Portsmouth City Council.

Fareham Borough Council's share of the net assets of PCJC is £1,931,000 (2013/14 £1,960,000). In 2014/15, PCJC paid a contribution of £150,000 to the Council (£150,000 in 2013/14). The PCJC has an investment policy of placing all surplus funds with the Council. At 31 March 2015, £1,091,400 was invested with the Council (£940,000 at 31 March 2014).

Fareham and Gosport Building Control Partnership

The Fareham and Gosport Building Control Partnership provides building control services to both Fareham and Gosport Borough Council. The Partnership has been in operation since 2003. During 2014/15, the Partnership charged Gosport Borough Council £132,465 (2013/14 £157,931) for statutory building control services. The Partnership has a policy of dividing generated surpluses between the two authorities based on fee generating work in each Authority area. At 31 March 2015, the balance of retained surplus for future investment in the service held by Fareham Borough Council was £78,065 and £55,423 held by Gosport Borough Council. In May 2015, Portsmouth City Council joined the partnership. Any surpluses generated in 2015/16 will be distributed between the three authorities based on fee generating work in each Authority area. Surpluses generated in previous years will be retained by Fareham Borough Council and Gosport Borough Council.

Fareham and Gosport Environmental Health Partnership

The Fareham and Gosport Environmental Health Partnership provides environmental health services to both Fareham and Gosport Borough Council. The Partnership came into operation in 2014/15. During its first year, the Partnership charged Gosport Borough Council £688,876 for statutory environmental health services. The Partnership has a policy of sharing expenditure (excluding internal recharges) on a 50/50 basis. All income is retained by the relevant authority.

32. Contingent Liabilities

During 1992/93, the Council's insurers MMI Limited ceased taking new business. In November 2012, the decision was made to trigger the Scheme of Arrangement whereby a proportion of claims paid may be clawed back. The Scheme Administrator, Ernst & Young LLP, has determined that a Levy rate of 15% of the value of outstanding claims of £148,000 is required. A £22,000 levy was paid during 2013/14 and there is a contingent liability of £126,000 for the remaining balance.

33. Cash Flow Statement - Operating Activities (Interest)

Operating activities within the Cash Flow Statement include the following cash flows relating to interest:

2013/14 £'000	2014/15 £'000
586 Interest received	382
<u>(1,405) Interest paid</u>	<u>(1,399)</u>
<u>(819)</u>	<u>(1,017)</u>

34. Cash Flow Statement - Adjust net surplus or deficit on the provision of services for non-cash movements

2013/14 £'000	2014/15 £'000
4,381 Depreciation and impairment	2,673
(2,615) Downward valuations	(5,541)
43 Amortisation of intangible assets	31
1,686 Increase/decrease in creditors	(1,242)
155 Increase/decrease in interest debtors	0
(417) Increase/decrease in debtors	(3,383)
4 Increase/decrease in inventories	0
2,829 Movement in pension liability	1,782
2,227 Carrying amount of non-current assets and non-current assets held for sale, sold, or derecognised	1,594
2,776 Other non-cash items charged to the net surplus of deficit on the provision of services	2,479
<u>11,069</u>	<u>(1,607)</u>

35. Cash Flow Statement - Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

2013/14 £'000	2014/15 £'000
(1,402) Capital grants credited to surplus/deficit on the provision of services	(6,248)
(940) Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,842)
<u>(2,342)</u>	<u>(8,090)</u>

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	2014/15 £'000	2013/14 £'000
Income		
Gross rent income		
- Dwellings	(10,836)	(10,344)
- Other	(274)	(249)
Charges for services and facilities	(925)	(614)
Contributions towards expenditure	(222)	(314)
Total income from service	<u>(12,257)</u>	<u>(11,521)</u>
Expenditure		
Repairs and maintenance	2,929	2,640
Supervision and management	2,489	2,617
Rents, rates, taxes and other charges	31	33
Depreciation and impairment of non-current assets (note 7)	(6,436)	482
Debt management expenses	40	32
Provision for doubtful debts	(69)	(22)
Total expenditure on service	<u>(1,016)</u>	<u>5,782</u>
Net expenditure or Income of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement	(13,273)	(5,739)
HRA service share of corporate and democratic core	130	147
Net Expenditure for HRA Services	<u>(13,143)</u>	<u>(5,592)</u>
Gain on sale of HRA non-current assets	(174)	(319)
Interest payable	1,860	1,870
Interest receivable	(137)	(123)
Pension interest cost	243	305
Capital grants and contributions receivable	0	(313)
(Surplus)/Deficit for year on HRA Services	<u><u>(11,351)</u></u>	<u><u>(4,172)</u></u>

MOVEMENT ON THE HRA STATEMENT

	2014/15 £'000	2013/14 £'000
Balance on the HRA at the end of previous year	(4,118)	(4,358)
(Surplus) or Deficit for year on HRA I&E Statement	(11,351)	(4,172)
Remove gain on sale of HRA non-current assets	174	319
Pension reserve contributions	(239)	(354)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	7	(7)
Capital expenditure charged to revenue	1,516	0
Transfers to/from Major Repairs Reserve	1,323	2,443
Transfers to/from Capital Adjustment Account	6,436	(169)
Adjustments between accounting basis and funding basis under statute	9,217	2,232
Net (increase) or decrease before transfers to or from the reserves	(2,134)	(1,940)
Transfer to/(from) reserves	1,382	2,180
Increase or (decrease) in year on the HRA	(752)	240
Surplus Carried Forward	<u>(4,870)</u>	<u>(4,118)</u>

The total surplus carried forward excludes balances of:

- Repairs Account;
- Leaseholder Repairs Reserve;
- HRA Capital Grants Unapplied; and
- Capital Development Fund

which are included within the Movement in Reserves Statement.

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The Council's Housing Revenue Account stock, including shared ownership properties, was made up as follows:

	31 March 2015	31 March 2014
Houses	804.75	809.75
Flats	1,378.00	1,374.00
Bungalows	166.00	166.00
	<u>2,348.75</u>	<u>2,349.75</u>

During the year, 6 homes were sold under the right to buy scheme. The stock was partly replenished by buying back 5 homes sold under right to buy in earlier years.

2. Value of Housing Revenue Account Property

Council dwellings have been valued in their current use with an allowance for the right to buy. The vacant possession value at 1 April 2014 is £288.6 million. The difference in valuation is the economic cost to the government of providing council housing at less than open market rents.

The table below details the opening and closing values of the various classes of HRA assets. It also shows the various movements in values resulting from additions, disposals, revaluations, impairments and reclassification of the assets.

	Council Dwellings £'000	Other Land & Buildings £'000	Plant & Equipment £'000	Assets Under Construction £'000	Total £'000
Movement in Values 2014/15					
Cost or Valuation					
At 1 April 2014	85,228	3,498	38	1,124	89,888
Additions	2,529			3,793	6,322
Revaluation Increases/(decreases) to RR		583			583
Revaluation Increases/(decreases) to SDPS	5,409				5,409
Derecognition - Disposals	(311)				(311)
Other reclassifications		432			432
At 31 March 2015	<u>92,855</u>	<u>4,513</u>	<u>38</u>	<u>4,917</u>	<u>102,323</u>
Depreciation and Impairment					
At 1 April 2014	2,358	140	2		2,500
Depreciation Charge	1,242	82	1		1,325
Depreciation written out to SDPS	(2,358)	(140)			(2,498)
Derecognition - Disposals	(4)				(4)
At 31 March 2015	<u>1,238</u>	<u>82</u>	<u>3</u>	<u>0</u>	<u>1,323</u>
Net Book Value					
At 31 March 2015	91,617	4,431	35	4,917	101,000
At 31 March 2014	82,870	3,358	36	1,124	87,388

RR = Revaluation Reserve

SDPS = Surplus/Deficit on the Provision of Services

Movement in Values 2013/14	Council Dwellings £'000	Other Land & Buildings £'000	Plant & Equipment £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation					
At 1 April 2013	84,769	3,498	38	142	88,447
Additions	1,396			982	2,378
Revaluation Increases/(decreases) to RR	89				89
Revaluation Increases/(decreases) to SDPS	(442)				(442)
Derecognition - Disposals	(584)				(584)
At 31 March 2014	85,228	3,498	38	1,124	89,888
Depreciation and Impairment					
At 1 April 2013	2,411	70	1		2,482
Depreciation Charge	2,373	70	1		2,444
Depreciation written out to SDPS	(2,410)				(2,410)
Derecognition - Disposals	(16)				(16)
At 31 March 2014	2,358	140	2	0	2,500
Net Book Value					
At 31 March 2014	82,870	3,358	36	1,124	87,388
At 31 March 2013	82,358	3,428	37	142	85,965

RR = Revaluation Reserve

SDPS = Surplus/Deficit on the Provision of Services

3. Major Repairs Reserve

	2014/15 £'000	2013/14 £'000
Balance at 1 April	3,048	2,650
Receipts in year	1,242	2,442
Used in year:		
- Houses and flats	(4,208)	(2,044)
Balance at 31 March	<u>82</u>	<u>3,048</u>

4. Housing Repairs Account

	2014/15 £'000	2013/14 £'000
Balance at 1 April	1,800	1,800
Contribution from Housing Revenue Account	2,030	2,510
Other Income	48	44
Expenditure	(2,878)	(2,554)
Balance at 31 March	<u>1,000</u>	<u>1,800</u>

5. Capital Financing

The financing of capital expenditure on Housing Revenue Account property during the year is shown below. Only a proportion of this expenditure led to an increase in the value of assets and the remainder maintains the value of assets by keeping them in good repair.

	Houses and Flats £'000	Assets under Construction £'000	Total £'000
Capital Receipts	163		163
Major Repairs Reserve	496	3,793	4,289
Revenue Contributions	2,357		2,357
Expenditure in 2014/15	<u>3,016</u>	<u>3,793</u>	<u>6,809</u>

6. Capital Receipts

Capital receipts from the sale of Housing Revenue Account property in 2014/15 were £480,000 (£887,000 in 2013/14).

7. Depreciation and Impairment

		2014/15 £'000	2013/14 £'000
Depreciation	Dwellings	1,242	2,373
	Garages	82	70
	Plant & Equipment	<u>1</u>	<u>1</u>
	Total	<u>1,325</u>	<u>2,444</u>
Amortisation	Intangible Asset	5	5
Impairment	Dwellings	0	785
Revaluation Gain	Dwellings	(7,766)	(2,752)
Total Charge		<u>(6,436)</u>	<u>482</u>

For 2014/15, there has been no change to the 32% adjustment factor applied to the market value of properties to derive the Existing Use-Social Housing Valuation but there has been an increase in market values. This is represented by the revaluation gain.

8. Arrears

At 31 March 2015, arrears were 2.78% of the gross income due in the year. 2014/15 was a 52 week rent year and 2013/14 a 53 week rent year. The arrears figures are as follows:

	£'000	£'000
Arrears at 31 March	326	437
Gross incomes	11,744	10,951
Provision for uncollectable rents	117	374
Arrears as a percentage of gross income	2.78%	3.99%

THE COLLECTION FUND

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to council tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

	2014/15			2013/14
	£'000	£'000	£'000	£'000
	Council Tax	Business Rates	Total	Total
Income				
Council Tax (notes 1 and 2)				
Billed to Taxpayers	57,756			56,962
Non-Domestic Rates - Due (note 3)		41,651		40,644
Transitional Protection Payments		(165)		(397)
Family Annexes Grant	2			
	<u>57,758</u>	<u>41,486</u>	<u>99,244</u>	<u>97,209</u>
Expenditure				
Collection Fund Surplus/(Deficit) in Previous Year (note 5)				
Central Government		(1,784)		
Fareham Borough Council		(1,427)		28
Hampshire County Council		(321)		207
Police and Crime Commissioner for Hampshire				29
Hampshire Fire and Rescue		(36)		12
	<u>0</u>	<u>(3,568)</u>	<u>(3,568)</u>	<u>276</u>
Precepts, Demands and Shares				
Central Government		20,647		18,085
Fareham Borough Council	5,745	16,517		20,111
Hampshire County Council	42,527	3,716		45,023
Police and Crime Commissioner for Hampshire	6,321			6,449
Hampshire Fire and Rescue	2,515	413		2,470
	<u>57,108</u>	<u>41,293</u>	<u>98,401</u>	<u>92,138</u>
Charges to the Collection Fund				
Cost of Collection Allowance		142		143
Increase/(Decrease) in Appeals Provision		3,226		3,377
Increase/(Decrease) in Bad Debt Provision	46	222		(52)
Write Off of Uncollectable Amounts				565
	<u>46</u>	<u>3,590</u>	<u>3,636</u>	<u>4,033</u>
	<u>57,154</u>	<u>41,315</u>	<u>98,469</u>	<u>96,447</u>
Fund balance brought forward at 1 April	753	145	898	136
Surplus/(Deficit) for the Year	604	171	775	762
Fund balance carried forward at 31 March	<u>1,357</u>	<u>316</u>	<u>1,673</u>	<u>898</u>

NOTES TO THE COLLECTION FUND

1. Council Tax

Council tax income derives from the charges raised according to the value of residential properties, classified into eight valuation bands based on 1 April 1991 values for this purpose. Individual charges are calculated by estimating the amount of income required from the Collection Fund by Hampshire County Council, the Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the council tax base. The council tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts. The council tax base for 2014/15 was 40,974 (40,244 for 2013/14). This basic amount of council tax for a Band D property is multiplied by the proportion specified for the particular band to give an individual amount due.

The basic amount of council tax for a Band D property was:

	2014/15 £	2013/14 £
Fareham Borough Council	140.22	140.22
Police & Crime Commissioner for Hampshire	154.26	151.25
Hampshire Fire and Rescue Authority	61.38	61.38
Hampshire County Council	1,037.88	1,037.88
Total	<u>1,393.74</u>	<u>1,390.73</u>

2. Non-Domestic Rates (NDR)

NDR is organised on a national basis. The Government specifies a rate in the £ (in 2014/15, 47.1p for small businesses and 48.2p for large; in 2013/14, 46.2p for small businesses and 47.1p for large) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area. The rateable value at 31 March 2015 was £102,134,522 (£102,381,887 as at 31 March 2014). This rateable value is based on the valuation list effective from 1 April 2010.

Until 2012/13 the proceeds were paid into an NDR pool administered by the Government. The Government re-distributed the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

In 2013/14 a new system of Retained Business Rates was introduced, changing the way in which this funding stream is received. The Council collects business rates due in the usual way, but instead of paying it all over to the national pool, 50% is paid to Central Government, 9% to Hampshire County Council, 1% to Hampshire Fire and Rescue Authority and 40% is retained by the Council.

At the end of the year the Council compares its 40% retained rates income with the Business Rates Baseline set at the start of the system (based on rates collected up to 2011/12) and the Baseline funding level for the financial year. For 2014/15 the Business Rates Baseline was £16,582,089 and the Baseline funding level was £1,717,625.

3. Collection Fund Balance

The Collection Fund balance for 2014/15 was £1.673 million (£0.898 million in 2013/14) which is included within the Balance Sheet. The amounts in respect of Fareham Borough Council are contained within the reserves section of the Balance Sheet and amounts due to the other major preceptors are shown within creditors.

GLOSSARY OF TERMS

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arises because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Amortised Cost

The amortised cost of a financial instrument is the amount at which the instrument is measured at initial recognition (usually cost) less any repayments of principal or reduction for impairment, or any adjustment for the difference between the initial amount and the maturity amount. Examples include adjustments for transaction costs or deferred interest payments that are required to be spread over the life of the instrument.

Carrying Amount

The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Community Assets

Assets that the Council 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 open spaces.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate and Democratic Core

The Corporate and Democratic Core is comprised of Democratic Representation and Management which includes corporate policy making and all other member-based activities and Corporate Management which includes activities and costs that related to the general running of the Council.

Current Service Costs (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of contributions payable, and the benefits are not directly related to the scheme investments. The scheme may be funded or unfunded.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful amount.

Depreciated Replacement Cost (DRC)

A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and relevant forms of obsolescence and optimisation.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual, or constructive obligation to award and which are awarded under the Council's discretionary powers.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected rate of return on pensions assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the assets held by the scheme.

Fair Value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

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 Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets

A Heritage Asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historical Cost

The carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever is the later, and adjusted for subsequent depreciation or impairment (if applicable).

Infrastructure Assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase in the present value of the scheme liabilities during the period, because benefits are one period closer to settlement.

Investments (Non Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. That is, where the intention is to hold the investment is for the long term, or where the Council's ability to dispose of the investment is restricted. Investments, other than those related to the pension fund, that do not meet the above criteria are classified as current assets.

Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements for that Fund. However, authorities participating in the fund are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

Investment Properties

Interest in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding

circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Net Book Value

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Non-Current Assets

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

Non-Operational Asset

Non-current assets held by a Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases

A lease other than a finance lease.

Operational Assets

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Past Service Costs

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods, which has arisen in the current period as a result of, the introduction of, or, improvement to, retirement benefits.

Post Balance Sheet Events

Those events, favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Prior Year Adjustments

Material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Property, Plant and Equipment

Non-current assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples are expenditure on renovation grants and assistance to Housing Associations enabling them to provide accommodation.

Related parties

Related parties include Central Government, elected members of the Council and certain senior officers. For individuals identified as related parties the following are also related parties: members of their close family or of the same household and partnerships, trusts, or other entities in which they have a controlling interest.

Retirement benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits, as these are not given in exchange for services rendered by employees.

Scheme liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflecting the benefits that the employer is committed to provide for service up to the valuation date.

Useful Life

The period which an asset is expected to be available for use by the Council.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAREHAM BOROUGH COUNCIL

(The report of the Council's external auditors will be inserted when the audit of the accounts has been completed)

HOW TO CONTACT US

This Statement and a summary of accounts can be viewed via the Council's website at www.fareham.gov.uk.

For more information please contact us at:

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